Hongkong Chinese Limited

香 港 華 人 有 限 公 司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 655)

2018/2019
ANNUAL REPORT

* *For identification purpose only*

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Dr Stephen Riady *(Chairman)*
Mr John Luen Wai Lee, BBS, JP
(Chief Executive Officer)

Non-executive Director
Mr Leon Nim Leung Chan

Independent non-executive Directors
Mr Victor Ha Kuk Yung
Mr King Fai Tsui
Mr Edwin Neo

COMMITTEES

Audit Committee
Mr King Fai Tsui *(Chairman)*
Mr Leon Nim Leung Chan
Mr Victor Ha Kuk Yung
Mr Edwin Neo

Remuneration Committee
Mr King Fai Tsui *(Chairman)*
Dr Stephen Riady
Mr Leon Nim Leung Chan
Mr Victor Ha Kuk Yung
Mr Edwin Neo

Nomination Committee
Mr King Fai Tsui *(Chairman)*
Dr Stephen Riady
Mr Leon Nim Leung Chan
Mr Victor Ha Kuk Yung
Mr Edwin Neo

SECRETARY
Mr Kelsch Woon Kun Wong

AUDITOR
Ernst & Young

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
The Bank of East Asia, Limited

SOLICITORS
Howse Williams

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE
Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS
40th Floor, Tower Two
Lippo Centre
89 Queensway
Hong Kong

STOCK CODE
655

WEBSITE
www.hkchinese.com.hk

Chairman's Statement

I am pleased to present the annual report of the Company (together with its subsidiaries, the "Group") for the year ended 31 March 2019 (the "Year").

The Group and its joint ventures in Singapore (led by OUE Limited ("OUE"), together with its subsidiaries the "OUE Group") strode to consolidate and grow their businesses by optimising their operations, strengthening diversified asset portfolio with sound recurring income base and undertaking substantive corporate deals in the midst of slower global economic growth as well as regional and international uncertainties and risks during the Year, and beyond.

During the Year, the Group disposed of Lippo Securities Holdings Limited ("LSH") for a consideration of HK$348.7 million. On the other hand, it invested in 50% of a joint venture, Bell Eastern Limited, mainly for property projects in Asia.

The OUE Group contracted a conditional purchase of plots of land within the central business district in South Jakarta, Indonesia for a 57-storey mix development. The timely divestment by the OUE Group of the office components of OUE Downtown (a landmark in Singapore's Central Business District) to OUE Commercial Real Estate Investment Trust ("OUE C-REIT") enabled it to unlock capital to fund business plans for higher-growth reinvestment opportunities and at the same time, to grow OUE C-REIT which in turn contributes to stable income streams. The OUE Group also completed in April 2019 the disposal of its minority interests in Aquamarina Hotel Private Limited (owner of Marina Mandarin Singapore) and Marina Centre Holdings Private Limited.

Following the acquisition by the OUE Group of Bowsprit Capital Corporation Limited ("Bowsprit"), the manager of First Real Estate Investment Trust ("First REIT", which has a portfolio of 20 properties in Asia), during the Year to grow its asset management business, it now manages various trusts with accumulated assets under management of approximately S$8 billion (approximately HK$46 billion).

The OUE Group, through its subsidiary, OUE Lippo Healthcare Limited ("OUELH", together with its subsidiaries the "OUELH Group"), entered into a letter of intent with the China Merchants group (the "CM Group") for a proposed high-end international hospital in Prince Bay, Shenzhen, the People's Republic of China (the "PRC"). The OUELH Group's joint venture with the CM Group also signed management agreements for three medical facilities of the CM Group in the PRC. In April 2019, the OUELH Group completed the acquisition of stakes in two Myanmar companies which operate three hospitals, a medical centre and two clinics in Myanmar. Through the above strategic acquisitions and partnerships, the OUELH Group is making great strides towards its vision of becoming a leading healthcare real estate group with a presence in key Asian growth markets to meet the rising demand for quality healthcare.

The Group and its joint ventures will continuously look for attractive growth opportunities in Asia and elsewhere that will drive financial returns for shareholders in the long term.

The Group recorded a consolidated profit attributable to shareholders of approximately HK$11 million for the Year, as compared to a consolidated profit of approximately HK$327 million for the year ended 31 March 2018 ("2018").

The Directors have proposed a final cash dividend of HK1 cent per share for the Year. Together with the interim dividend of HK1 cent per share, the total dividends for the Year will be HK2 cents per share.

I would like to express my sincere thanks to my fellow Directors, our management and staff for their contributions, guidance and continued dedication to the Group during the Year.

Stephen Riady
Chairman

27 June 2019

Report of the Directors

The Directors hereby present their report together with the audited financial statements for the Year.

BUSINESS REVIEW

Overview

During the Year, the Group and its joint ventures steered through uncertainties and risks due to trade tensions, interest rate hikes of the United States of America (the "US"), Brexit negotiations, and other economic and geopolitical incidents on the back of softened global economic growth, and successfully executed substantive corporate transactions that would be essential to their sustainable growth in future.

Results for the Year

The Group recorded a consolidated profit attributable to shareholders of approximately HK$11 million for the Year, as compared to a consolidated profit of approximately HK$327 million for 2018 which included a non-recurrent gain of disposal of interests in a joint venture of HK$114 million. The decrease was mainly due to share of loss from joint ventures of approximately HK$101 million (2018 — profit of approximately HK$177 million), as a result of a decrease in fair value gain on investment properties of the joint ventures and an unrealised exchange loss on translation of the financial liabilities of a joint venture. It was also due to lower profit from disposal of the Group's development properties and less fair value gain from financial instruments at fair value through profit or loss and higher operating expenses during the Year despite a gain on disposal of subsidiaries of approximately HK$153 million resulting from the completion of the disposal of LSH (together with its subsidiaries the "LSH Group").

Property investment and development businesses contributed to 91% (2018 — 98%) of total revenue from continuing operations for the Year. Revenue from continuing operations for the Year decreased to HK$71 million (2018 — HK$101 million). The decrease was mainly due to less properties of the Group sold during the Year.

In December 2018, the Group completed the disposal of LSH pursuant to a sale and purchase agreement dated 20 July 2018 with the G-Resources Group Limited group for a consideration of approximately HK$348.7 million. After the completion, the Group has ceased the corporate finance and securities broking business. Accordingly, the results of the corporate finance and securities broking business carried out by the LSH Group together with the gain on disposal were included under results from discontinued operation. This segment registered a total revenue of HK$12 million for the Year (2018 — HK$17 million) and the profit of this segment after the gain on disposal was HK$146 million for the Year (2018 — loss of HK$11 million).

The Group's other operating expenses mainly included legal and professional fees, consultancy and service fees, donations and exchange difference. Other operating expenses from continuing operations increased to HK$54 million for the Year (2018 — HK$20 million). The increase was mainly due to exchange losses from depreciation of Singapore dollar and Renminbi for the Year of HK$12 million as compared with exchange gains of HK$14 million for 2018 and the increase of consultancy and service fees for the Year by HK$11 million.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property investment

Segment revenue from the property investment business was mainly attributable to recurrent rental income from the Group's investment properties and interest income from the loans to joint ventures of the Company. The segment revenue for the Year amounted to HK$59 million (2018 — HK$59 million). Segment profit for the Year before accounting for the share of results from the Group's joint ventures amounted to HK$42 million (2018 — HK$45 million).

Lippo ASM Asia Property Limited ("LAAPL", together with its subsidiaries the "LAAPL Group"), a principal joint venture of the Company is the vehicle holding a controlling stake of approximately 68.7% equity interest in OUE as at 31 March 2019. OUE is listed on the Mainboard of Singapore Exchange Securities Trading Limited (the "SGX-ST"). The OUE Group develops and manages assets across the commercial, hospitality, retail, residential and healthcare sectors. During the Year, the OUE Group remained focused on strengthening its asset portfolio to boost its recurrent income base, while capitalising on strategic growth opportunities. In September 2018, the OUE Group announced a conditional purchase of plots of land of approximately 8,000 sq. m. in a prime location in the central business district in South Jakarta, Indonesia which are planned to be the South Jakarta Development Project with 57 storeys of mix development comprising premium office space and a luxury boutique hotel.

Following its transformation completed in 2017, OUE Downtown in Singapore's Central Business District becomes a vibrant work-live-play destination comprising prime office space (37-storey OUE Downtown 2 and high zone of the 50-storey OUE Downtown 1 (collectively "OUE Downtown Office")), 268 luxury serviced residences occupying 7th to 32nd storeys of OUE Downtown 1 (Oakwood Premier OUE Singapore) and a retail mall of approximately 14,000 sq. m. (Downtown Gallery). In November 2018, the OUE Group divested OUE Downtown Office to OUE C-REIT (listed on the Mainboard of the SGX-ST) for a consideration of S$908 million (approximately HK$5.2 billion). Such acquisition by OUE C-REIT was financed in part through a rights issue of new units of OUE C-REIT. The OUE Group directly owns the remaining Oakwood Premier OUE Singapore and Downtown Gallery which contributed positively to the OUE Group's performance and recurrent income base. The iconic U.S. Bank Tower in downtown Los Angeles, a 72-storey Class A office tower enhanced with OUE Skyspace LA (a 2-storey open-air observation deck at the top of the tower offering unrivalled 360-degree city views) also increased its revenue contribution to the OUE Group.

The OUE Group had, as at 31 March 2019, an approximately 56.2% interest in OUE C-REIT. OUE C-REIT's Grade A property portfolio as at 31 March 2019 included OUE Bayfront, One Raffles Place and OUE Downtown Office in Singapore as well as the properties at Lippo Plaza in Shanghai. The financial performance of the portfolio was enhanced considerably with the addition of OUE Downtown Office. The portfolio's committed occupancy attained 94% as at 31 March 2019.

The LAAPL Group also held, as at 31 March 2019, approximately 39.0% of the total number of stapled securities of OUE Hospitality Trust ("OUE H-Trust") which is listed on the Mainboard of the SGX-ST. Its portfolio includes the 1,077-room Mandarin Orchard Singapore, the adjoining Mandarin Gallery and the 563-room Crowne Plaza Changi Airport in Singapore. OUE H-Trust recorded a slightly softer set of results amidst a competitive environment during the Year.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property investment (continued)

In April 2019, the proposed merger of OUE C-REIT and OUE H-Trust (the "Proposed Merger") was announced. If completed, the Proposed Merger would create one of the largest Singapore REITS with total assets of approximately S$6.8 billion (approximately HK$39.4 billion) and the LAAPL Group's interest in OUE C-REIT would be reduced to approximately 48.3%. Further, OUE H-Trust would be wholly owned by OUE C-REIT's trustee and would be delisted from the SGX-ST.

In addition, the OUE Group completed the disposal of its minority interests in Aquamarina Hotel Private Limited ("Aquamarina") and Marina Centre Holdings Private Limited for an aggregate consideration of S$390 million (approximately HK$2,262 million). Further to such disposal, Singapore Mandarin International Hotels Pte Ltd (a subsidiary of OUE) has also agreed to terminate its hotel operating agreement with Aquamarina (being the owner of Marina Mandarin Singapore) on or before 31 December 2019. It is estimated that the Group would record a share of profit from joint ventures of approximately HK$470 million (subject to audit and adjustment) arising from such disposal for the year ending 31 March 2020.

The OUE Group had, as at 31 March 2019, an approximately 64.3% equity interest in OUELH which is listed on the Catalist Board of the SGX-ST. The OUELH Group provides high-quality and sustainable healthcare solutions through the acquisition, development, management and operations of healthcare facilities across Asia. It owns 12 quality nursing homes in Japan and derives rental revenue therefrom. It also has an integrated hospital development project in Chengdu and real estate in Wuxi, the PRC as well as a strategically located site in Kuala Lumpur, Malaysia.

As part of the OUELH Group's Pan-Asian growth strategy, it completed in October 2018 the acquisition of a 40% interest in Bowsprit and an approximately 10.6% of the total issued units of First REIT (listed on the Mainboard of the SGX-ST since 2006), which acquisition was financed through OUELH's rights issue. OUE acquired the remaining 60% interest in Bowsprit at the same time. The acquisition of Bowsprit was in line with the OUE Group's strategy to grow its asset management business. Bowsprit also owned approximately 7.4% of the total issued units of First REIT as at 31 March 2019. First REIT is a healthcare real estate investment trust which invests in a diversified portfolio of income-producing real estate and/or real estate-related assets in Asia that are primarily used for healthcare and/or healthcare related purposes. As at 31 March 2019, First REIT had 20 properties comprising 16 in Indonesia, 3 in Singapore and 1 in South Korea.

In December 2018, the OUELH Group signed a letter of intent (as supplemented) with the CM Group to jointly develop, operate and manage an international hospital in Prince Bay, Shenzhen, the PRC. Its joint venture with the CM Group also signed management agreements with the CM Group to manage three medical facilities in Shanghai, Chongqing and Nanjing, the PRC. The OUELH Group further completed in April 2019 its acquisition of stakes in two Myanmar companies which operate three hospitals, a medical centre and two clinics in Myanmar.

The OUE Group now manages various trusts with accumulated assets under management of approximately S$8 billion (approximately HK$46 billion).

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property investment (continued)

The Group recorded a share of loss of joint ventures of HK$112 million from its investment in LAAPL for the Year (2018 — share of profit of HK$159 million). The change was mainly due to unrealised exchange loss on translation of the financial liabilities, a decrease of fair value gain on investment properties, impairment loss on intangible assets and non-cash loss on disposal of interests in equity-accounted investees. Besides, the Group shared a decrease in exchange reserve on translation of LAAPL's investment of HK$205 million during the Year due to the depreciation of the Singapore dollar. As a result, the Group's total interests in LAAPL as at 31 March 2019 decreased to HK$10.3 billion (31 March 2018 — HK$10.5 billion).

In March 2019, the Group completed the formation of the joint venture, Bell Eastern Limited, for investment, acquisition, development and/or ownership of land, property developments and/or properties in Asia and other related businesses pursuant to the relevant Shareholders' Agreement, and consequently owns 50% therein.

Property development

"M Residences" in Macau was fully sold following the sale of the remaining car and motor vehicle parking spaces in April 2018. Sale of the remaining apartment unit, small number of shophouses and carparking spaces at Lippo Plaza in Beijing, the PRC was slow due to persistent local conditions. With a substantial portion of the completed development properties sold and recognised in prior years, the segment revenue and segment profit for the Year decreased to HK$6 million (2018 — HK$40 million) and HK$2 million (2018 — HK$24 million) respectively, before accounting for the share of results from the Group's associates and joint ventures.

Sale of some of the remaining units of the luxurious Marina Collection in Sentosa, Singapore (in which the Group has a 50% interest) was completed during the Year. A portion of the remaining units is leased out. The Group shared a profit of associate of HK$6 million (2018 — HK$6 million) from the investment.

Treasury and securities investments

The Group managed its investment portfolio and looked for opportunities to enhance yields. The treasury and securities investments businesses recorded a net profit of HK$5 million for the Year (2018 — HK$1 million). Total revenue from treasury and securities investments businesses for the Year amounted to HK$5 million (2018 — HK$2 million).

Banking

The Macau Chinese Bank Limited ("MCB") is a joint venture of the Company in which the Group had a 20% equity interest as at 31 March 2019. During the Year, the Group injected MOP26 million into MCB as its pro-rata subscription of MCB's share capital increase of MOP130 million. MCB recorded strong growth in customer deposits and loans during the Year. The Group's share of profit from MCB decreased to HK$8 million for the Year (2018 — HK$19 million) due to a reduction in equity interest in MCB after the completion of its disposal of 31% equity interests in November 2017.

Pursuant to the Amended and Restated Shareholders Agreement in June 2018, the Group has a put option to sell its remaining 20% interest to the majority shareholder of MCB at any time during the 5 years from 3 November 2017 (the "Put Option"). The fair value of the Put Option was included in "Other financial asset" of the Group's consolidated statement of financial position and the change in fair value of the Put Option was recorded in the "net fair value gain on financial instruments at fair value through profit or loss" of the Group's consolidated statement of profit or loss. The banking business segment reported a profit of HK$0.3 million for the Year, resulting from a slight increase in the fair value of the Put Option (2018 — HK$141 million, including the gain on disposal of 31% equity interests in MCB in November 2017 and fair value gain of the Put Option).

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Financial Position

The Group's financial position remained healthy. As at 31 March 2019, its total assets amounted to HK$11.8 billion (31 March 2018 — HK$12.3 billion). Property-related assets amounted to HK$11.1 billion as at 31 March 2019 (31 March 2018 — HK$11.2 billion), representing 94% (31 March 2018 — 91%) of total assets. Total liabilities as at 31 March 2019 amounted to HK$0.8 billion (31 March 2018 — HK$1.0 billion). Total cash and bank balances (consisted of cash and cash equivalents, time deposits with original maturity of more than three months and restricted cash) as at 31 March 2019 amounted to HK$507 million (31 March 2018 — HK$545 million). Current ratio as at 31 March 2019 amounted to 1.9 (31 March 2018 — 1.9).

As at 31 March 2019, the Group's bank and other borrowings amounted to HK$737 million (31 March 2018 — HK$482 million). The bank loans were denominated in Hong Kong dollars and carried interest at floating rate. Where appropriate, the Group would use interest rate swaps to modify the interest rate characteristics of its borrowings to limit interest rate exposure. As at 31 March 2019, approximately 33% (31 March 2018 — Nil) of the bank loans were repayable within one year. The gearing ratio (measured as total borrowings to equity attributable to equity holders of the Company) was 6.7% as at 31 March 2019 (31 March 2018 — 4.3%).

The net asset value attributable to equity holders of the Company remained strong and amounted to HK$10.9 billion as at 31 March 2019 (31 March 2018 — HK$11.2 billion). This was equivalent to HK$5.5 per share (31 March 2018 — HK$5.6 per share).

The Group monitors the relative foreign exchange position of its assets and liabilities to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans would be used to manage the foreign exchange exposure.

The Group had neither material contingent liabilities outstanding nor charges on the Group's assets at the end of the Year (31 March 2018 — Nil).

The Group's commitments amounted to HK$1 million as at 31 March 2019 (31 March 2018 — HK$7 million). The investments or capital assets will be financed by the Group's internal resources and/or external bank financing, as appropriate.

Staff and Remuneration

The number of employees of the Group decreased to 40 as at 31 March 2019 (31 March 2018 — 68 employees) following the disposal of the LSH Group in December 2018. Staff costs (including directors' emoluments) charged to the statement of profit or loss during the Year amounted to HK$35 million (2018 — HK$38 million). The Group ensures that its employees are offered competitive remuneration packages. The Group also provides benefits such as medical insurance and retirement funds to employees to sustain competitiveness of the Group.

PROSPECTS

The Group and its joint ventures will continue to consolidate and foster their resources, asset portfolio and growth strategies in order to further strengthen their recurring income bases as well as to prepare for opportunities and challenges in light of volatile global and regional economic and political situations. The Group will also stay vigilant in monitoring its investments and seeking new opportunities in the pursuit of enhancing long-term shareholder return and value.

Report of the Directors *(continued)*

BUSINESS STRATEGY

The business activities of the Group are diversified. The Group is committed to achieve long term sustainable growth of its businesses in preserving and enhancing the shareholder value. The Group is focused on selecting attractive investment opportunities to strengthen and extend its business scope and has maintained prudent and disciplined financial management to ensure its sustainability.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries, associates and joint ventures are principally engaged in investment holding, property investment, property development, hotel operation, healthcare services, project management, securities investment, treasury investment, money lending, banking and other related financial services.

The activities and other particulars of the principal subsidiaries, principal associates and principal joint ventures are set out in the financial statements on pages 152 to 154, page 155 and page 156, respectively.

In December 2018, the Group completed the disposal of LSH and thereafter, ceased to engage in fund management, underwriting, corporate finance and securities broking.

Apart from the above, there were no significant changes in the nature of these activities during the Year.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the financial position of the Group and the Company as at 31 March 2019 are set out in the financial statements on pages 64 to 156.

An interim dividend of HK1 cent per share for the Year (2018 — HK1 cent per share) was paid in January 2019. The Directors have resolved to recommend the payment of a final dividend of HK1 cent per share (2018 — HK1 cent per share) amounting to approximately HK$20 million for the Year (2018 — approximately HK$20 million). Total dividends for the Year will be HK2 cents per share (2018 — HK2 cents per share) amounting to approximately HK$40 million (2018 — approximately HK$40 million).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 159.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 29 to the financial statements.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in Note 42 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties during the Year are set out in Note 16 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 40 to the financial statements.

Report of the Directors *(continued)*

DONATIONS

During the Year, the Group made charitable and other donations of HK$5,882,000 (2018 — Nil).

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were as follows:

Executive Directors

Dr Stephen Riady ("Dr Riady") *(Chairman)*
Mr John Luen Wai Lee ("Mr Lee"), BBS, JP *(Chief Executive Officer)*

Non-executive Director

Mr Leon Nim Leung Chan ("Mr Chan")

Independent non-executive Directors

Mr Victor Ha Kuk Yung ("Mr Yung")
Mr King Fai Tsui ("Mr Tsui")
Mr Edwin Neo ("Mr Neo")

In accordance with Bye-law 87 of the Company's Bye-laws (the "Bye-laws"), Mr Lee and Mr Chan will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr Chan and Mr Neo entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1 January 2018. Following the expiry of the term under their respective former letter agreements with the Company, each of Mr Yung and Mr Tsui entered into a new letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 30 September 2018, and each of Dr Riady and Mr Lee entered into a new letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1 January 2019. All the above letter agreements are terminable by either party by giving three months' prior written notice. The term of office of the Directors is also subject to the provisions of the Bye-laws. In accordance with the Bye-laws, one-third of the Directors must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors.

In addition, Dr Riady entered into an employment agreement for his employment as an Executive President of the Company with effect from 1 January 2015. Mr Lee also entered into an employment agreement for his employment as the Chief Executive Officer of the Company with effect from 1 January 2015. The above employment agreements are terminable by either party by giving three months' prior written notice.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the Company considers such Directors to be independent.

Under the Bye-laws, every Director or other officer of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. A directors' and officers' liability insurance is in place to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

Report of the Directors *(continued)*

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr Stephen Riady (former name: Stephen Tjondro Riady), aged 59, was appointed a Director of the Company in 1992 and is the Chairman of the Board of Directors of the Company (the "Board"). Dr Riady is also an executive director and the Chairman of the board of directors of each of Lippo Limited ("Lippo") and Lippo China Resources Limited ("LCR"), both being public listed companies in Hong Kong. He has been the Executive President of each of the Company, Lippo and LCR since January 2015. He is a member of the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR. He also holds directorships in certain subsidiaries of the Company, Lippo and LCR. He is the Executive Chairman of OUE, a company listed on the Mainboard of the SGX-ST and a non-executive non-independent director of Healthway Medical Corporation Limited ("HMC"), a company listed on the Catalist Board of the SGX-ST. He is an executive director of Auric Pacific Group Limited ("Auric"), a company formerly listed on the Mainboard of the SGX-ST. He was appointed a member of the board of commissioners of PT Lippo Karawaci Tbk, a company listed on the Indonesia Stock Exchange, on 18 April 2019. He is a director of Lippo Capital Group Limited ("Lippo Capital Group"), Lippo Capital Holdings Company Limited ("Lippo Capital Holdings") and Lippo Capital Limited ("Lippo Capital") which, together with Lippo, have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (the "SFO"). He retired as a non-independent and non-executive director of OUELH (a company listed on the Catalist Board of the SGX-ST) on 25 April 2019. He is a graduate of the University of Southern California, the US and holds a Master of Business Administration from Golden Gate University, the US and an Honorary Degree of Doctor of Business Administration from Edinburgh Napier University, United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. He is the spouse of Madam Shincee Leonardi ("Madam Leonardi") and a brother of Mr James Tjahaja Riady ("Mr James Riady"). Madam Aileen Hambali ("Madam Hambali") is the spouse of Mr James Riady. The interests of Madam Leonardi, Mr James Riady and Madam Hambali in the Company are disclosed in the section headed "Interests and short positions of shareholders discloseable under the SFO" below.

Mr John Luen Wai Lee, BBS, JP, aged 70, was appointed a Director of the Company in 1992 and is the Chief Executive Officer of the Company. Mr Lee is the Managing Director and the Chief Executive Officer of Lippo and an executive director and the Chief Executive Officer of LCR, as well as an independent non-executive director of New World Development Company Limited and UMP Healthcare Holdings Limited, both being public listed companies in Hong Kong. He is a director of Prime Success Limited ("Prime Success") and Hennessy Holdings Limited ("Hennessy") which have discloseable interests in the Company under the provisions of the SFO. He is an authorised representative of the Company, Lippo and LCR. In addition, he holds directorships in certain subsidiaries of the Company, Lippo and LCR. He retired as a non-executive non-independent chairman of HMC on 26 April 2019. He is a Fellow of The Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He was a partner of Price Waterhouse (now known as PricewaterhouseCoopers) in Hong Kong and has extensive experience in corporate finance and capital markets. He is an Honorary Fellow of the City University of Hong Kong, a Justice of Peace in Hong Kong and an awardee of the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. He is active in public service. Over the years, he has served as a member or chairman of different government boards and committees in Hong Kong, including a member of the Hong Kong Hospital Authority and the Chairman of the Hospital Governing Committee of the Queen Elizabeth Hospital. Currently, he serves as the Chairman of the Hospital Governing Committee of Hong Kong Children's Hospital, a member of the Public Service Commission and the Chairman of the Investment Committee of the Hospital Authority Provident Fund Scheme.

Report of the Directors *(continued)*

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Mr Leon Nim Leung Chan, aged 63, was appointed a Director of the Company in 1992 and was re-designated from independent non-executive Director to non-executive Director of the Company in September 2004. Mr Chan is a practising lawyer and presently the principal partner of Messrs Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008. He is also a non-executive director of Lippo and LCR. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR.

Mr Victor Ha Kuk Yung, aged 65, was appointed an independent non-executive Director of the Company in September 2004. Mr Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and served in management positions in various multinational companies in Asia. He holds a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University, and is a member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Lippo and LCR. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of each of Lippo and LCR. He is an independent non-executive director of Travel Expert (Asia) Enterprises Limited, a public listed company in Hong Kong.

Mr King Fai Tsui, aged 69, was appointed an independent non-executive Director of the Company in September 2004. Mr Tsui is an independent non-executive director of Vinda International Holdings Limited, China Aoyuan Group Limited (formerly known as China Aoyuan Property Group Limited) and Newton Resources Ltd, all are public listed companies in Hong Kong. He has over 40 years of extensive experience in accounting, finance and investment management, particularly in investments in mainland China. He worked for two of the Big Four audit firms in the US and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Accountants Australia and New Zealand and a member of the American Institute of Certified Public Accountants. He graduated from the University of Houston, Texas, the US and holds a Master of Science in Accountancy and a Bachelor of Business Administration with first class honours. He is an independent non-executive director of Lippo and LCR. He is the Chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also a member of the Audit Committee and the Chairman of the Remuneration Committee and the Nomination Committee of each of Lippo and LCR.

Report of the Directors *(continued)*

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Mr Edwin Neo, aged 69, was appointed an independent non-executive Director of the Company and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company in January 2018. Mr Neo was admitted as a solicitor of the Supreme Court of Hong Kong in 1976 and of the Supreme Court of England and Wales in 1993. He is a practising lawyer and a notary public and is presently the senior partner of Hoosenally & Neo, Solicitors & Notaries. He holds a Bachelor of Laws degree with honours and Post-graduate Certificate in Laws from The University of Hong Kong. He is also an independent non-executive director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of each of Lippo and LCR. He was an independent non-executive Director of the Company from 16 January 1995 to 10 March 1998.

Details of the interests of the Directors in the Company are disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations" below.

Save as disclosed herein and in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations" below, the Directors do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Details of the emoluments of the Directors on a named basis and the five highest paid employees in the Group are set out in Notes 7 and 8 to the financial statements, respectively.

The emoluments of the Directors are determined by reference to the market rates, time commitment and their duties and responsibilities as well as employment conditions elsewhere in the Group.

The emoluments of the Directors for the Year have been covered by their respective letter agreements and/or employment agreements (as applicable) with the Company and/or paid under the relevant statutory requirement save for those as disclosed hereinbelow:

(a) the fixed bonus of Dr Riady in an amount of HK$83,000;

(b) (i) the director's fee of Mr Lee in an amount of HK$30,000 for serving as director of a former subsidiary of the Company; and (ii) the discretionary bonus of Mr Lee in an amount of HK$586,125; and

(c) the director's fee of Mr Chan in an amount of HK$30,000 for serving as director of a former subsidiary of the Company.

Report of the Directors *(continued)*

DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS *(continued)*

Dr Riady and Mr Lee are entitled to receive salaries, discretionary bonuses and other fringe benefits for the executive roles in the Company under their respective employment agreements with the Company.

Further details of the above Directors' emoluments are disclosed in Note 7 to the financial statements.

Each of the Directors is entitled to receive a director's fee from the Company. The director's fee paid to each of the Directors was HK$238,800 for the Year. A non-executive Director will also receive additional fees for duties assigned to and services provided by him as Chairmen and/or members of various Board committees. The fees paid to the non-executive Directors for serving as the Chairmen and/or members of various Board committees for the Year were as follows:

	HK$
Chairman	79,200
Member	51,600

With effect from 1 April 2019, the director's fee payable to each of the Directors was adjusted from HK$238,800 per annum to HK$246,000 per annum and the fees payable to the non-executive Directors per annum for serving as Chairmen and/or members of various Board committees were adjusted as follows:

	HK$
Chairman	81,600
Member	52,800

Report of the Directors *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 March 2019, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "Associated Corporations" and each an "Associated Corporation"), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code"), were as follows:

Interests in shares and underlying shares of the Company and Associated Corporations

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of controlled corporations)	Total interests	Approximate percentage of total interests in the issued shares
Number of ordinary shares in the Company					
Stephen Riady	–	–	1,477,715,492 *Notes (i) and (ii)*	1,477,715,492	73.95
John Luen Wai Lee	2,000,270	270	–	2,000,540	0.10
King Fai Tsui	600,000	75,000	–	675,000	0.03
Number of ordinary shares in Lippo					
Stephen Riady	–	–	369,800,219 *Note (i)*	369,800,219	74.98
John Luen Wai Lee	1,031,250	–	–	1,031,250	0.21
Number of ordinary shares in LCR					
Stephen Riady	–	–	6,890,184,389 *Notes (i) and (iii)*	6,890,184,389	74.99

Note:

(i) As at 31 March 2019, Lippo Capital, an Associated Corporation, and through its wholly-owned subsidiary, J & S Company Limited ("J & S"), was directly and indirectly interested in an aggregate of 369,800,219 ordinary shares in Lippo, representing approximately 74.98% of the issued shares thereof. Lippo Capital was a 60% owned subsidiary of Lippo Capital Holdings, an Associated Corporation, which in turn was a wholly-owned subsidiary of Lippo Capital Group, an Associated Corporation. Dr Riady was the beneficial owner of one ordinary share in Lippo Capital Group, representing the entire issued share capital thereof.

(ii) As at 31 March 2019, Lippo, through its wholly-owned subsidiaries, was indirectly interested in 1,477,715,492 ordinary shares in the Company, representing approximately 73.95% of the issued shares thereof.

(iii) As at 31 March 2019, Lippo, through its wholly-owned subsidiaries, was indirectly interested in 6,890,184,389 ordinary shares in LCR, representing approximately 74.99% of the issued shares thereof.

Report of the Directors *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

Interests in shares and underlying shares of the Company and Associated Corporations *(continued)*

Through Dr Riady's interest in Lippo Capital Group, he was also interested or taken to be interested (through controlled corporations) in the issued shares of the following Associated Corporations as at 31 March 2019:

Name of Associated Corporation	Note	Class of shares	Number of shares interested	Approximate percentage of interest in the issued shares
Abital Trading Pte. Limited	(a)	Ordinary shares	2	100
Auric Pacific Group Limited	(b)	Ordinary shares	80,618,551	65.48
Bentham Holdings Limited	(c)	Ordinary shares	1	100
Blue Regent Limited	(a)	Ordinary shares	100	100
Boudry Limited	(a)	Ordinary shares	10	100
	(a)	Non-voting deferred shares	1,000	100
Brainy World Holdings Limited ("Brainy World")	(d)	Ordinary shares	1	100
Brimming Fortune Limited	(a)	Ordinary shares	1	100
Broadwell Overseas Holdings Limited	(a)	Ordinary shares	1	100
First Tower Corporation	(e)	Ordinary shares	1	100
Gainmate Hong Kong Limited	(f)	Ordinary shares	100	100
Grand Peak Investment Limited	(a)	Ordinary shares	2	100
Great Honor Investments Limited	(a)	Ordinary shares	1	100
Greenorth Holdings Limited	(a)	Ordinary shares	1	100
Hennessy Holdings Limited	(e)	Ordinary shares	1	100
HKCL Investments Limited	(a)	Ordinary shares	1	100
International Realty (Singapore) Pte. Limited	(a)	Ordinary shares	2	100
J & S Company Limited	(a)	Ordinary shares	1	100
Lippo Assets (International) Limited	(a)	Ordinary shares	1	100
	(a)	Non-voting deferred shares	15,999,999	100
Lippo Capital Holdings Company Limited	(g)	Ordinary shares	1	100
Lippo Capital Limited	(c)	Ordinary shares	423,414,001	60
Lippo Finance Limited	(a)	Ordinary shares	6,176,470	82.35
Lippo Health Care Limited	(h)	Ordinary shares	1	100
Lippo Investments Limited	(a)	Ordinary shares	2	100
Lippo Realty Limited	(a)	Ordinary shares	2	100
MG Superteam Pte. Ltd.	(a)	Ordinary shares	1	100
Multi-World Builders & Development Corporation	(a)	Ordinary shares	4,080	51
Prime Success Limited	(e)	Ordinary shares	1	100
Skyscraper Realty Limited	(e)	Ordinary shares	10	100
Superfood Retail Limited ("Superfood")	(i)	Ordinary shares	10,000	100
The HCB General Investment (Singapore) Pte Ltd.	(a)	Ordinary shares	100,000	100
Valencia Development Limited	(a)	Ordinary shares	800,000	100
	(a)	Non-voting deferred shares	200,000	100
Winroot Holdings Limited	(a)	Ordinary shares	1	100

Report of the Directors *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

Interests in shares and underlying shares of the Company and Associated Corporations *(continued)*

Note:

(a) Such share(s) was/were 100% held directly or indirectly by Lippo Capital, an indirect 60% owned subsidiary of Lippo Capital Group.

(b) Of these shares, 4,999,283 ordinary shares were held by Jeremiah Holdings Limited ("Jeremiah"), an indirect 60% owned subsidiary of LCR; 20,004,000 ordinary shares were held by Nine Heritage Pte Ltd ("Nine Heritage"), a direct 80% owned subsidiary of Jeremiah; 36,165,052 ordinary shares were held by Pantogon Holdings Pte Ltd ("Pantogon"), an indirect wholly-owned subsidiary of LCR and 759,000 ordinary shares were held by Max Turbo Limited ("Max Turbo"), an indirect wholly-owned subsidiary of LCR. In addition, as at 31 March 2019, 18,691,216 ordinary shares were held by Silver Creek Capital Pte. Ltd. ("Silver Creek"). Dr Riady, through companies controlled by him, is the beneficial owner of all the issued shares in Silver Creek. Accordingly, Dr Riady was taken to be interested in an aggregate of 80,618,551 ordinary shares in Auric, representing approximately 65.48% of the issued shares thereof.

(c) Such share(s) was/were held directly by Lippo Capital Holdings which in turn was a direct wholly-owned subsidiary of Lippo Capital Group.

(d) Such share was 100% held directly by LCM (China) Pte Ltd, an indirect 64.35% owned subsidiary of OUE. OUE was indirectly owned as to approximately 68.65% by Fortune Code Limited ("FCL"). The Company, through its 50% joint venture, LAAPL, held a 92.05% interest in FCL.

(e) Such share(s) was/were 100% held directly or indirectly by Lippo.

(f) 50 shares were held by Oddish Ventures Pte. Ltd. ("Oddish"), a direct wholly-owned subsidiary of OUE and 50 shares were held by Raising Fame Ventures Limited, an indirect wholly-owned subsidiary of LCR.

(g) Such share was 100% held directly by Lippo Capital Group.

(h) Such share was 100% held directly by Brainy World.

(i) 406, 1,625, 2,937, 62 and 4,970 ordinary shares were held by Jeremiah, Nine Heritage, Pantogon, Max Turbo and Oddish respectively. Accordingly, Dr Riady was taken to be interested in an aggregate of 10,000 ordinary shares in Superfood, representing all the issued shares thereof.

As at 31 March 2019, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its Associated Corporations.

All the interests stated above represent long positions. Save as disclosed herein, as at 31 March 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its Associated Corporations which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at 31 March 2019, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted) were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its Associated Corporations.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors *(continued)*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2019, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as follows:

Interests of substantial shareholders in shares of the Company

Name of substantial shareholder	Number of ordinary shares	Approximate percentage of the issued shares
Hennessy Holdings Limited	1,477,715,492	73.95
Prime Success Limited	1,477,715,492	73.95
Lippo Limited	1,477,715,492	73.95
Lippo Capital Limited	1,477,715,492	73.95
Lippo Capital Holdings Company Limited	1,477,715,492	73.95
Lippo Capital Group Limited	1,477,715,492	73.95
Madam Shincee Leonardi	1,477,715,492	73.95
PT Trijaya Utama Mandiri ("PT TUM")	1,477,715,492	73.95
Mr James Tjahaja Riady	1,477,715,492	73.95
Madam Aileen Hambali	1,477,715,492	73.95

Note:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,477,715,492 ordinary shares in the Company, representing approximately 73.95% of the issued shares thereof.

2. Hennessy is wholly owned by Prime Success which in turn is wholly owned by Lippo.

3. Lippo Capital, and through its wholly-owned subsidiary, J & S, was directly and indirectly interested in approximately 74.98% of the issued shares of Lippo.

4. Lippo Capital Holdings owned 60% of the issued shares in Lippo Capital. Lippo Capital Group owned the entire issued share capital of Lippo Capital Holdings. Dr Riady was the beneficial owner of the entire issued share capital of Lippo Capital Group. Madam Leonardi is the spouse of Dr Riady.

5. PT TUM owned the remaining 40% of the issued shares in Lippo Capital. PT TUM was wholly owned by Mr James Riady who is a brother of Dr Riady. Madam Hambali is the spouse of Mr James Riady.

6. Hennessy's interests in the ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Capital, Lippo Capital Holdings, Lippo Capital Group, Madam Leonardi, PT TUM, Mr James Riady and Madam Hambali. The above 1,477,715,492 ordinary shares in the Company related to the same block of shares that Dr Riady was interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

All the interests stated above represent long positions. Save as disclosed herein, as at 31 March 2019, none of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of the Directors *(continued)*

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Lippo Group (a general reference to the companies in which Dr Riady and his family members have a direct or indirect interest) is not a legal entity and does not operate as one. Each of the companies in the Lippo Group operates within its own legal, corporate and financial framework. As at 31 March 2019, the Lippo Group might have had or developed interests in business in Hong Kong and other parts in Asia similar to those of the Group and there was a chance that such businesses might have competed with the businesses of the Group.

All the Directors of the Company are also directors of Lippo and LCR. Further details of the Directors' interests in Lippo and LCR are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations". Subsidiaries of Lippo and LCR are also engaged in property investment and property development.

The Directors are fully aware of, and have been discharging, their fiduciary duty to the Company. The Company and its Directors would comply with the relevant requirements of the Bye-laws and the Listing Rules whenever a Director has any conflict of interest in the transaction(s) with the Company.

Save as disclosed herein, during the Year and up to the date of this report, none of the Directors are considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group required to be disclosed under the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

The Group had granted financial assistance to FCL, a subsidiary of LAAPL which in turn is a principal joint venture of the Group. The relevant advances disclosed pursuant to Rule 13.13 of the Listing Rules and remained outstanding as at 31 March 2019 were granted under the following loan agreements:

(i) a loan agreement dated 29 May 2015 between FCL and Pacific Landmark Holdings Limited ("PLH"), a subsidiary of the Company, pursuant to which PLH agreed to advance a loan of S$53,920,839.43 (the "Loan") to FCL;

(ii) a loan agreement dated 28 August 2015 between FCL and PLH pursuant to which PLH agreed to make available a loan facility of S$7,000,000 (the "Interim Loan") to FCL;

(iii) a loan agreement dated 28 August 2015 between FCL and PLH pursuant to which PLH agreed to advance a further loan of S$100,000,000 (the "Further Loan") to FCL;

(iv) a loan agreement dated 12 October 2015 between FCL and PLH pursuant to which PLH agreed to make available a loan facility of S$2,000,000 (the "Second Interim Loan") to FCL;

(v) a loan agreement dated 30 November 2015 between FCL and PLH pursuant to which PLH agreed to make available a new loan facility of S$38,000,000 (the "New Loan") to FCL;

(vi) a loan agreement dated 19 July 2016 between FCL and PLH pursuant to which PLH agreed to make available a loan facility of approximately S$14,959,000 (the "July 2016 Loan") to FCL; and

(vii) a loan agreement dated 20 October 2016 between FCL and Polar Step Limited ("PSL"), a subsidiary of the Company, pursuant to which PSL agreed to make available a loan facility in the maximum principal amount of S$155,000,000 (the "October 2016 Facility") to FCL. The October 2016 Facility was first drawn on 4 January 2017 (the "October 2016 Facility Drawdown Date") and is unsecured, subject to an interest rate of 2.25% per annum and repayable on demand.

Report of the Directors *(continued)*

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES *(continued)*

In addition, an unsecured loan of approximately S$10,314,000 (the "June 2013 Loan") was advanced by PLH to FCL on 20 June 2013.

On 20 October 2016, PLH assigned all of its rights, interests, benefits and title in the June 2013 Loan, the Loan, the Further Loan and the July 2016 Loan to PSL. Pursuant to an amended and restated loan agreement dated 20 October 2016 between, inter alia, PSL and FCL, with effect from the October 2016 Facility Drawdown Date, the interest rate of each of the June 2013 Loan, the Loan, the Further Loan and the July 2016 Loan was amended from 6.5% per annum to 2.25% per annum and the repayment date was amended to repayable on demand.

On 4 January 2017, PLH assigned all of its rights, interests, benefits and title in the Interim Loan, the Second Interim Loan and the New Loan to PSL. Pursuant to an amended and restated loan agreement dated 4 January 2017 between, inter alia, PSL and FCL, with effect from 4 January 2017, the interest rate of each of the Interim Loan, the Second Interim Loan and the New Loan was amended from 6.5% per annum to 2.25% per annum and such loans will be repayable on demand.

All the above advances to FCL are unsecured. As at 31 March 2019, the balance of the above advances amounted to approximately S$380,420,000 (equivalent to approximately HK$2,202,783,000).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed above and in Note 36 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which any Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

During the Year, no contract of significance for the provision of services to the Group by any controlling shareholder or any of its subsidiaries has been made.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

Report of the Directors *(continued)*

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the percentage of revenue attributable to the Group's five largest customers combined was 69% of the Group's aggregate revenue and revenue attributable to the largest customer included therein amounted to 63%. During the Year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the Group's aggregate purchases.

None of the Directors, their close associates, or any shareholder (which to the best knowledge and belief of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its brand competitiveness and status, the Group aims at delivering high standards of quality in the products and services to its customers. During the Year, there was no material and significant dispute between the Group and its suppliers and/or customers.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group and the employer's retirement benefits costs charged to the consolidated statement of profit or loss for the Year are set out in Notes 2.4(y) and 6 to the financial statements, respectively.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. The Company's Corporate Governance Report is set out on pages 23 to 32.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, businesses and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties were identified by the Group, details of which are disclosed in the Company's Risk Management Report as set out on pages 33 to 41. There may be other risks and uncertainties in addition to those shown in the above report which are not known to the Group or which may not be material now but could turn out to be material in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, social and governance ("ESG") issues are fundamental to the Group's sustainability. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Company's ESG Report is set out on pages 42 to 58.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Company.

Report of the Directors *(continued)*

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

The financial statements for the Year were audited by Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment.

On behalf of the Board
John Luen Wai Lee
Chief Executive Officer

27 June 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring a high standard of corporate governance practices. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure they meet public and shareholders' expectation, comply with legal and professional standards and reflect the latest local and international developments. The Board will continue to commit itself to achieving a high quality of corporate governance so as to safeguard the interests of shareholders and enhance shareholder value.

During the Year, the Company continued to take measures to closely monitor and enhance its corporate governance practices so as to comply with the requirements of the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

To the best knowledge and belief of the Directors, the Directors consider that the Company has complied with the code provisions of the CG Code for the Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as the code for securities transactions by the Directors. Having made specific enquiry of all the Directors, all the Directors have fully complied with the required standard set out in the Model Code throughout the Year.

To enhance corporate governance, the Company has also established written guidelines no less exacting than the Model Code for the employees of the Group in respect of their dealings in the Company's securities.

BOARD OF DIRECTORS

The Board currently comprises six members (the composition of the Board is shown on page 10), including two executive Directors and four non-executive Directors of whom three are independent as defined under the Listing Rules (brief biographical details of the Directors are set out on pages 11 to 13). A list containing the names of the Directors and their roles and functions can also be found on the Company's website (www.hkchinese.com.hk) (the "Company Website") and Hong Kong Exchanges and Clearing Limited ("HKEX")'s website (www.hkexnews.hk) (collectively the "Websites"). To the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Company has three independent non-executive Directors, representing more than one-third of the Board. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. All the independent non-executive Directors have signed the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules to confirm their independence. The Company considers that all independent non-executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

Mr Yung and Mr Tsui have served as independent non-executive Directors of the Company for more than nine years. In addition to their confirmation of independence in accordance with Rule 3.13 of the Listing Rules, each of them continues to demonstrate the attributes of an independent non-executive Director by providing independent views and advice and there is no evidence that their tenure have had any impact on their independence. The Directors are of the opinion that Mr Yung and Mr Tsui remain independent notwithstanding the length of their service and they believe that their valuable knowledge and experience in the Group's business and their external experience continue to generate significant contribution to the Company and its shareholders as a whole.

Corporate Governance Report *(continued)*

BOARD OF DIRECTORS *(continued)*

Under the Bye-laws, one-third of the Directors must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors. Under the Listing Rules, if an independent non-executive Director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. All the Directors have entered into letter agreements and/or employment agreements with the Company setting out the key terms and conditions of their respective appointment as Directors and/or executive role in the Company.

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. The Board has delegated certain functions to the relevant Board committees, details of which are disclosed below. Day-to-day management of the Group's business is delegated to the management of the Company under the supervision of the executive Directors. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, dividend policy, material policies and decisions, significant changes in accounting policies, material contracts, major investments and approval of interim reports, annual reports and announcements of interim and final results.

Management provides the Directors with management updates of the Group's operations, performance and position. All the Directors are kept informed of and duly briefed of major changes and information that may affect the Group's businesses in a timely manner. Legal and regulatory updates are provided to the Directors from time to time for their information so as to keep them abreast of the latest rule requirements and assist them in fulfilling their responsibilities. The Company Secretary may advise the Directors on queries raised or issues which arise in performance of their duties as Directors. The Board members have access to appropriate business documents and information about the Group on a timely basis. All the Directors and Board committees have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

Three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively the "Committees") have been established to oversee particular aspects of the Group's affairs.

The Board meets regularly to review the financial and operating performance of the Group and other business units, and formulate future strategy. Five Board meetings were held during the Year.

During the Year, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

Corporate Governance Report *(continued)*

BOARD OF DIRECTORS *(continued)*

Individual attendance of each Director at the Board meetings and general meeting and each committee member at the meetings of the Committees during the Year are set out below:

	Attendance/Number of Meetings				
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting*
Executive Directors					
Dr Stephen Riady *(Chairman)*	5/5	N/A	3/3	3/3	1/1
Mr John Luen Wai Lee *(Chief Executive Officer)*	5/5	N/A	N/A	N/A	1/1
Non-executive Director					
Mr Leon Nim Leung Chan	5/5	3/3	3/3	3/3	1/1
Independent non-executive Directors					
Mr King Fai Tsui *(Chairman of the Audit Committee, Remuneration Committee and Nomination Committee)*	5/5	3/3	3/3	3/3	1/1
Mr Victor Ha Kuk Yung	5/5	3/3	3/3	3/3	1/1
Mr Edwin Neo	5/5	3/3	3/3	3/3	1/1

* The only general meeting of the Company held during the Year was the annual general meeting held on 4 September 2018 (the "2018 AGM").

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer of the Company are segregated. Dr Riady is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. Mr Lee is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which have been approved by the Board.

NON-EXECUTIVE DIRECTORS

There are currently four non-executive Directors of whom three are independent. Under the Bye-laws, every Director, including the non-executive Directors, shall be subject to retirement by rotation at least once every three years. All the non-executive Directors have a fixed term of contract of two years with the Company.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference is posted on the Websites. The Remuneration Committee has been delegated with the authority and responsibility to determine the remuneration packages of individual Directors and senior management. Senior management of the Company comprises executive Directors of the Company only.

Corporate Governance Report *(continued)*

REMUNERATION OF DIRECTORS *(continued)*

The principal role of the Remuneration Committee is to exercise the powers of the Board to review and determine or make recommendations to the Board on the remuneration packages of individual Directors and senior staff, including salaries, bonuses and benefits in kind. Salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group have been considered in determining the remuneration packages so as to align management incentives with shareholders' interests. During the Year, the Remuneration Committee assessed the performance of the executive Directors, and reviewed and determined with delegated responsibility, inter alia, (i) the remuneration packages of the Directors and senior staff; and (ii) new letter agreements for the appointment of certain existing Directors (including the executive Directors).

A majority of the Remuneration Committee members are non-executive Directors. The Remuneration Committee comprises five members including three independent non-executive Directors, namely Messrs Tsui (being the Chairman), Yung and Neo, a non-executive Director, namely Mr Chan and an executive Director, namely Dr Riady. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. Three meetings were held during the Year and the individual attendance of each member is set out above.

Details of Directors' emoluments and retirement benefits are disclosed in Notes 7 and 2.4(y) to the financial statements respectively.

NOMINATION OF DIRECTORS

The Board has the power to appoint Director(s) pursuant to the Bye-laws. No new Director was appointed during the Year.

The Nomination Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. In light of certain amendments to the Listing Rules, the Board revised the terms of reference of the Nomination Committee in January 2019. A copy of the revised terms of reference is posted on the Websites.

The principal duties of the Nomination Committee include, inter alia: to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to assess the independence of independent non-executive Directors and make recommendations to the Board for the appointment of independent non-executive Directors; to identify individuals suitably qualified to become Board members and make recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors in particular the Chairman of the Board and the chief executive; and to review the terms of reference of the Nomination Committee, the Board Diversity Policy (the "Diversity Policy") and the Directors' Nomination Policy (the "Nomination Policy") of the Company and recommend to the Board any necessary changes required.

Proposed candidates for re-election and appointment are first considered by the Nomination Committee and its recommendation is then put to the Board for decision. During the Year, the Nomination Committee reviewed, inter alia, the eligibility of the retiring Directors seeking for re-election at the 2018 AGM and assessed the independence of the independent non-executive Directors. It also reviewed the existing structure, size, composition, diversity and efficiency of the Board, and assisted the Board in the development of the Nomination Policy and made recommendations to the Board on the revision of the terms of reference of the Nomination Committee and the Diversity Policy.

Corporate Governance Report *(continued)*

NOMINATION OF DIRECTORS *(continued)*

With the support and recommendation of the Nomination Committee, the Board adopted the Nomination Policy in January 2019. The Nomination Policy aims to, inter alia, set out the criteria and process in the nomination, appointment and re-election of Directors and ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company. The Nomination Committee is responsible for identifying, evaluating and recommending potential candidates to the Board. The ultimate responsibility for selection and appointment of Directors rests with the entire Board and, where applicable, subject to the approval of the shareholders in general meeting.

Any Directors or shareholders may nominate any individuals as candidates for directorship for consideration by the Nomination Committee in accordance with the Bye-laws, any applicable policies or procedures of the Company and/or the Listing Rules. The procedures for such shareholders' nomination are published on the Company Website. When assessing the suitability of a proposed candidate, the Nomination Committee will take into consideration various factors including, but not limited to, character and integrity, qualification, skills, knowledge, experience, potential contributions, board diversity, number of directorships in other listed companies, independence requirements (for independent non-executive Directors) and such other perspectives that are appropriate to the Company's business and succession plan.

Proposed candidates for appointment as a new Director will need to submit necessary information together with their written consents to be appointed as a Director. The Nomination Committee shall consider as a candidate any existing Director who has indicated that he or she is willing to stand for re-election. It may use any process it deems appropriate for the purpose of evaluating the proposed candidate in accordance with the Nomination Policy. It shall then recommend the proposed re-election or appointment of a Director to the Board for consideration by the Board which in turn will make recommendation to shareholders where appropriate. It may also nominate a suitable candidate to fill a casual vacancy on the Board for the Board's consideration and approval. A circular containing the requisite information of the candidates recommended by the Board to stand for election at the general meeting (whether as new appointment or re-election) will be sent to shareholders as required under the Listing Rules.

The Diversity Policy was adopted by the Board in August 2013 and was revised in January 2019. A copy of the revised Diversity Policy is posted on the Company Website. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable and balanced development. The Diversity Policy sets out the approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity factors including, but not limited to, gender, age, professional experience, skills, cultural and educational background, knowledge, length of service, and the business models and specific needs of the Company from time to time. The ultimate decision will be based on merits and contribution that the selected candidates may bring to the Board, having regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect. The Nomination Committee reviews the objectives for and monitors the implementation of the Diversity Policy. It will also review the Diversity Policy from time to time as appropriate to ensure its continued effectiveness.

A Majority of the Nomination Committee members are non-executive Directors. The Nomination Committee comprises five members including three independent non-executive Directors, namely Messrs Tsui (being the Chairman), Yung and Neo, a non-executive Director, namely Mr Chan and an executive Director, namely Dr Riady. The composition of the Nomination Committee meets the requirements of chairmanship and independence of the Listing Rules. Three meetings were held during the Year and the individual attendance of each member is set out above.

Corporate Governance Report *(continued)*

DIRECTORS' TIME COMMITMENT AND TRAINING

The Company received confirmation from each Director that he had sufficient time and attention to the affairs of the Company for the Year. The Directors are encouraged to participate in professional, public and community organisations. The Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments and an indication of the time involved. They are also reminded to notify the Company in a timely manner of any change of such information. In respect of those retiring Directors who will stand for re-election at the 2019 AGM, their directorships held in listed public companies in the past three years are set out in the circular to shareholders regarding, inter alia, proposed re-election of retiring Directors. Other details of the Directors are set out in the brief biographical details of Directors and senior management on pages 11 to 13.

The Directors are also encouraged to attend seminars and conferences to enrich their knowledge in discharging their duties as a Director. The Company has arranged from time to time at its cost seminars and/or conferences conducted by professional bodies for the Directors relating to, inter alia, directors' duties, corporate governance and regulatory updates. The Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

(1) participation in continuous professional training seminars and/or conferences and/or courses and/or workshops on subjects relating to, inter alia, corporate governance, directors' duties and legal and regulatory changes organised and/or arranged by the Company and/or professional bodies and/or lawyers;

(2) reading materials provided from time to time by the Company to the Directors regarding legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties; and

(3) reading news, journals, magazines and/or other reading materials regarding legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

According to the training records provided by the existing Directors to the Company, all of them participated in continuous professional development during the Year through the above means. Records of their training during the Year are as follows:

Directors	Training received
Executive Directors	
Dr Stephen Riady *(Chairman)*	(1), (2) and (3)
Mr John Luen Wai Lee *(Chief Executive Officer)*	(1), (2) and (3)
Non-executive Director	
Mr Leon Nim Leung Chan	(1), (2) and (3)
Independent non-executive Directors	
Mr Victor Ha Kuk Yung	(1), (2) and (3)
Mr King Fai Tsui	(1), (2) and (3)
Mr Edwin Neo	(1), (2) and (3)

Corporate Governance Report *(continued)*

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged directors' and officers' liability insurance for years to indemnify the directors and officers of the Group against any potential liability arising from the Group's activities which such directors and officers may be held liable.

AUDITOR'S REMUNERATION

Ernst & Young has been appointed by the shareholders annually as the Company's auditor (the "Auditor"). During the Year, the fees charged to the consolidated financial statements of the Group for the statutory audit and non-statutory audit services provided by Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the Auditor or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the Auditor nationally and internationally) amounted to approximately HK$3.1 million (2018 — HK$3.0 million) and approximately HK$0.1 million (2018 — HK$0.5 million) respectively.

AUDIT COMMITTEE

The Board established the Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. Its terms of reference can be found on the Websites. It assists the Board in meeting its responsibilities for ensuring an effective system of risk management, internal control and compliance, and in meeting its external financial reporting objectives. It is also responsible for the Company's corporate governance functions. All the members of the Audit Committee are non-executive Directors. The Audit Committee comprises four members including three independent non-executive Directors, namely Messrs Tsui (being the Chairman), Yung and Neo and a non-executive Director, namely Mr Chan. Three meetings were held during the Year and the individual attendance of each member is set out above.

The members of the Audit Committee possess diversified industry experience and its Chairman has appropriate professional qualifications and experience in accounting matters. Under its current terms of reference, the Audit Committee will meet at least twice each year. Management and the Auditor normally attend the meetings. In addition, the Audit Committee holds regular meetings with the Auditor without the presence of executive Directors and/or management.

During the Year, the Audit Committee discharged its duties by reviewing and/or monitoring financial, audit, risk management, internal control and corporate governance matters of the Group, including management accounts, financial statements, interim and annual reports, corporate governance report, risk management report and internal audit reports, discussing with the executive Directors, management, Auditor and internal audit department (the "IA Department") regarding financial matters, corporate governance policies and practices, and internal audit, risk management and internal control matters of the Group, and making recommendations to the Board including, inter alia, financial-related matters. The Audit Committee reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report, the Company's corporate governance policies and practices, the training and continuous professional development of the Directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements and the code of conduct applicable to employees and the Directors. It also recommended to the Board that, subject to the shareholders' approval at the 2019 AGM, Ernst & Young shall be re-appointed as the Auditor for the ensuing year, and reviewed the fees charged by the Auditor.

Corporate Governance Report *(continued)*

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its responsibility for maintaining adequate systems of risk management and internal control on an ongoing basis and is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems.

During the Year, a review of the effectiveness of the Group's risk management and internal control systems covering the risk management functions and all material controls, including financial, operational and compliance controls was conducted, details of which are set out in the Risk Management Report on pages 33 to 41. Such review will be conducted on an annual basis.

An Inside Information Policy was adopted by the Company which sets out guidelines to the Directors, officers and all relevant employees of the Group to ensure inside information (as defined in the Listing Rules) of the Group (the "Inside Information") would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations. The Company also established Group Internal Notification Policies and Procedures for setting out guidelines for identification and notification of Inside Information and notifiable transactions (as defined in the Listing Rules). A Whistleblowing Policy and an Anti-corruption Policy were also adopted by the Group.

During the Year, the Board reviewed the adequacy of resources, qualifications and experience of staff of the Company's internal audit, accounting and financial reporting functions, and their training programmes and budgets. The review will be conducted annually in accordance with the requirements of the CG Code.

INTERNAL AUDIT

The IA Department was set up in 2007 to perform internal audit and to review the risk management and internal control systems of the Group.

The principal roles of the IA Department are to ensure the effectiveness of internal control procedures and compliance with different standards and policies across different businesses and operations of the Group. The IA Department audits and evaluates the Group's internal control operation and risk management process so as to address the financial, operational and compliance risks in the Group. The Board and the Audit Committee will actively take actions based on the findings from the IA Department. The IA Department is also responsible for providing improvement recommendations to different operation teams and departments so as to minimise the risk exposure in the future.

COMPANY SECRETARY

The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. During the Year, the Company Secretary had taken the necessary professional training.

Corporate Governance Report *(continued)*

COMMUNICATION WITH SHAREHOLDERS

The Company has established a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness.

The Company's annual general meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Company's performance. Separate resolutions will be proposed for each substantially separate issue at the AGM. Board members, including the Chairmen of the Board and Board committees, and the Auditor are invited to attend the AGM and answer questions from shareholders.

Under the Listing Rules, all resolutions proposed at shareholders' meetings must be voted by poll except where the chairman of a general meeting, in good faith and in compliance with the Listing Rules, decides to allow resolutions to be voted on by the shareholders on a show of hands. Details of the poll procedures will be explained during the proceedings of shareholders' meetings. The poll voting results will be released and posted on the Websites.

The Company Website is maintained to provide effective communication. All the financial information and other disclosures including, inter alia, annual reports, interim reports, announcements, circulars, notices, the Company's Memorandum of Association (the "Memorandum") and the Bye-laws are available on the Company Website.

Shareholders may direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "Registrar") or contact the Customer Service Hotline of the Registrar at (852) 2980 1333. Shareholders may send their enquiries to the Board or the Company Secretary in written form to the principal place of business of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

SHAREHOLDERS' RIGHTS

Under Bye-law 58 of the Bye-laws, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of the Companies Act 1981 of Bermuda. Shareholders may send the requisition and request to the Board or the Company Secretary in written form to the principal place of business of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

DIVIDEND POLICY

The Company considers stable and sustainable returns to the shareholders and investors of the Company to be its goal and endeavours to achieve a progressive dividend policy where appropriate. The Board adopted a dividend policy of the Company (the "Dividend Policy") in January 2019. The Dividend Policy aims to set out the approach to determine the dividend to be payable by the Company, enhance transparency of the Company and facilitate shareholders and investors to make informed investment decisions. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account the Group's earnings performance, financial position, investment and funding requirements, and future prospects. The Board will review the Dividend Policy from time to time to ensure its continued effectiveness.

Corporate Governance Report *(continued)*

FAIR DISCLOSURE AND INVESTOR RELATIONS

The Company uses its best endeavours to distribute material information about the Group to all interested parties as widely as possible. When announcements are made through the HKEX, the same information will be available to the public on the Company Website. The Company recognises its responsibility to disclose its activities to those with a legitimate interest and to respond to their questions. In all cases, great care has been taken in handling Inside Information in accordance with the Inside Information Policy.

Management of the Group maintains regular contacts with the investment community.

During the Year, no amendments were made to the Memorandum and the Bye-laws. An updated and consolidated version of the Memorandum and the Bye-laws is available on the Websites.

FINANCIAL REPORTING

The Board recognises its responsibility to prepare the Company's financial statements which give a true and fair view and are in compliance with the Hong Kong Financial Reporting Standards, the Listing Rules and other regulatory requirements. As at 31 March 2019, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or going concern. The Board selected appropriate accounting policies and applied consistently. Judgments and estimates were reasonably and prudently made. The Auditor is responsible for audit and reports, if any, material misstatement or non-compliance with the Hong Kong Financial Reporting Standards or other regulations. The Board uses its best endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

The responsibilities of the Auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 59 to 63.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It cares for and supports the communities where it operates. The Group makes donations for community well-being from time to time.

Risk Management Report

Effective risk management is essential for the Group to take the appropriate level of risks and opportunities in pursuing its strategic and business goals. The Group is committed to the continuous improvement of the risk management system in order to facilitate the long-term growth and sustainability of its businesses. During the year ended 31 March 2019 (the "Year"), the Group has integrated Environmental, Social and Governance ("ESG") risk factors into enterprise risk management process given that the increasing significance of ESG risks.

The Group's risk management framework is established with reference to ISO 31000:2009 Risk Management – Principles and Guidelines and COSO Enterprise Risk Management – Integrated Framework (2017), which comprises 3 key components:

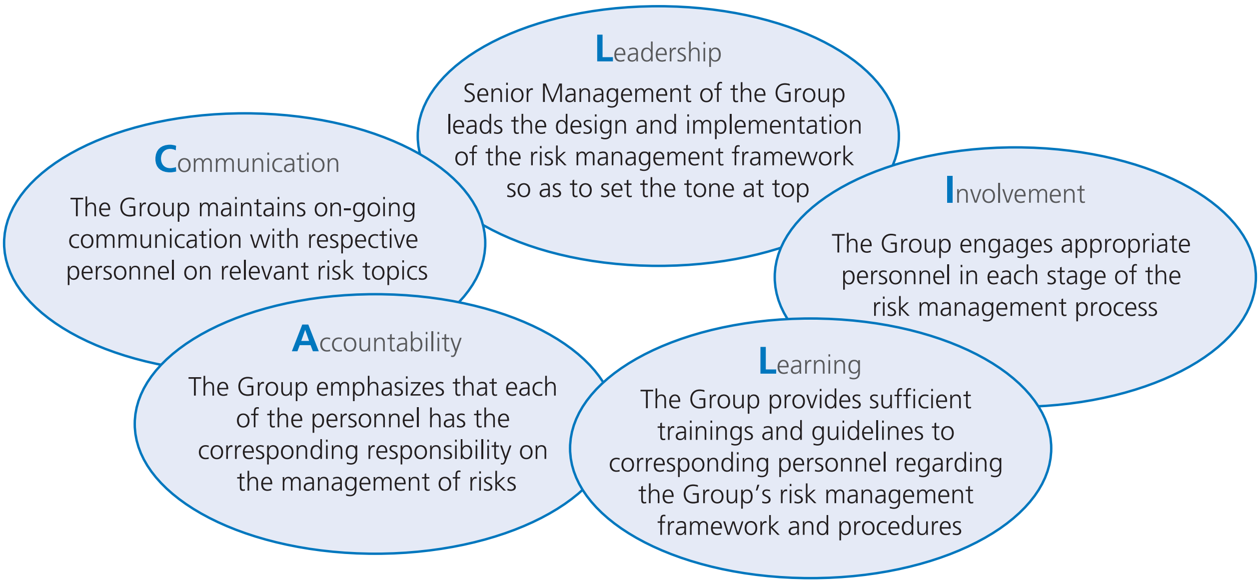
1. Risk Management Strategy;

2. Risk Governance Structure; and

3. Risk Management Process.

RISK MANAGEMENT STRATEGY

The Group recognises the importance of a proactive risk culture to the effective implementation of a risk management system. In order to foster the desired risk culture, the Group has adopted the following "LILAC" approach:



Risk Management Report *(continued)*

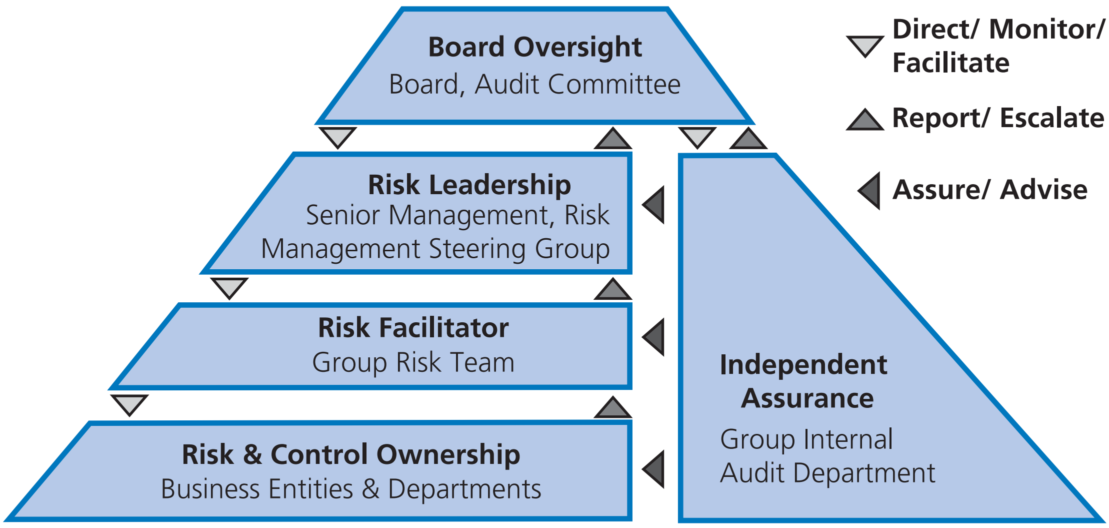
RISK MANAGEMENT STRATEGY *(continued)*

Furthermore, the risk management system is integrated into various parts of the business and day-to-day operation processes instead of a standalone program, and the Group aims to achieve the following objectives through the risk management activities:

- Promote corporate governance with a sound system of internal controls
- Embed a structured and disciplined approach to identify risks together with the basis of likelihood and potential impact on the achievement of the Group's business objectives
- Enable the Group to strike the right balance between risks and rewards by making risk informed decisions in accordance with the Group's business objectives and risk appetite
- Ensure the adequacy and effectiveness of risk controls in place to manage key risks
- Ensure compliance with the relevant legal and regulatory requirements

RISK GOVERNANCE STRUCTURE

The Group's risk governance structure provides the foundation for risk oversight and escalation. The roles and responsibilities of each layer are clearly established to ensure a thorough understanding among all the personnel within the Group.



Risk Management Report *(continued)*

RISK GOVERNANCE STRUCTURE *(continued)*

The key roles and responsibilities of each layer are listed below:

Board Oversight

The Board

- Take the overall responsibility for the risk management and internal control systems

Audit Committee empowered by the Board

- Determine the Group's overall risk appetite and establish appropriate culture throughout the Group for effective risk governance
- Review and approve risk criteria adopted by senior management to ensure that they are aligned with the Group's risk appetite
- Oversee the risk exposure of various types including the mitigation strategies
- Provide oversight on the risk management and internal control systems and review their adequacy and effectiveness at least on an annual basis

Risk Leadership

Senior Management

- Provide overall leadership in risk management activities, via the Risk Management Steering Group (the "RM Steering Group")

RM Steering Group led by Senior Management

- Establish risk criteria
- Assess the group level material risks and review the entity level risk profile periodically
- Determine and assign sufficient resources to implement the risk management framework and manage risks within the Group
- Update periodically the Audit Committee with the Group's risk profile and status of risk treatment plans for key business risks
- Ensure the annual review of adequacy and effectiveness of the risk management system

Risk Management Report *(continued)*

RISK GOVERNANCE STRUCTURE *(continued)*

Risk Facilitator

Group Risk Team

- Implement the Group's risk management policies and plans formulated by the RM Steering Group
- Develop necessary tools and templates for risk assessment, risk treatment plan and risk reporting
- Cascade and facilitate the risk management process and activities across all business entities and departments
- Follow up on the implementation of risk treatment plans and ensure the internal controls and risk mitigations are properly designed and implemented

Risk and Control Ownership

Business Entities and Departments

- Identify and review changes in risks in line with changes in the business environment
- Analyse risks and identify appropriate controls or risk treatment plans to address the risks
- Responsible for risk management activities and reporting in their businesses or operations
- Perform risk and control self-assessment activity to evaluate the effectiveness of risk management and internal controls for their respective entities

Independent Assurance

Group Internal Audit Department

- Conduct audit projects on various entities and functions across the Group and provide independent review on (a) the adequacy and effectiveness of the risk management framework; and (b) the adequacy and effectiveness of internal controls in the business operations

Risk Management Report *(continued)*

RISK MANAGEMENT PROCESS

The Group's risk management process provides a structured and systematic approach to manage risks. The following diagram illustrates the key activities in the process.

Establish Context

The Group establishes risk assessment criteria and risk matrix to cascade the risk appetite across the Group and provides referencing risk inventory

Identify Risk

Respective business entities and the Group's management identify the risks in their areas of businesses or operations

Analyse and Evaluate Risk

Respective business entities and the Group's management assess the likelihood and impact of the risks, determine acceptance and prioritize the risks

Treat Risk

Respective business entities and the Group's management evaluate the existing risk controls and formulate risk treatment plan if appropriate

Report and Monitor Risk

Respective business entities and the Group's management report the risk profile regularly to appropriate level of authority and maintain ongoing monitoring

CONTINUOUS IMPROVEMENT

The Group continues to strive for improvement on its risk management system and has taken a series of actions during the Year:

Component	Enhancement
Risk Management Strategy	✓ Implemented the Group's risk appetite statements to provide a clear direction for nature and extent of the risks that the Group is willing to undertake in pursuit of its strategic and business objectives ✓ Revised enterprise risk management manual to incorporate changes in the Year and enhanced the readability of the manual
Risk Governance	✓ Implemented Risk and Control Self-Assessment ✓ Discussed key risk profiles in the RM Steering Group ✓ Collaborated with Group Internal Audit Department to establish risk-based audit plan and conduct audits on the risk management of the entities of the Group
Risk Management Process	✓ Conducted refresher workshops to update risk owners and representatives with the necessary risk knowledge and information ✓ Encouraged risk owners to engage corresponding stakeholders in the discussion of risks throughout the risk management process ✓ Reported risk profile in a more specific manner with respect to the specific industries ✓ Integrated ESG risk factors into enterprise risk management process

Risk Management Report *(continued)*

MATERIAL RISKS

During the Year, the Group conducted risk review from the Group's perspective and on the risk profile submitted by the underneath business entities. Through this combined top-down and bottom-up risk review process, the Group has identified the material risks of various business segments for the Year.

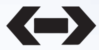
The Group classifies risks into 4 main categories:

Strategic	– Risk resulting from suboptimal determination and execution of business strategies or changes in external business environment, which may impact the Group in the long term.
Operational	– Risk of potential financial losses and/or business instability arising from failures in internal controls, operational processes, or in the system that supports them.
Financial	– Risk resulting from financial and reporting activities and/or use of financial instruments.
Compliance	– Risk of non-compliance with any internal requirements/standards, legal/regulatory requirements, and/or any related third party legal actions/disputes.

Risk Management Report *(continued)*

MATERIAL RISKS *(continued)*

A. Group Investments & Operations

Risks	Examples of Response Taken	Risk Trend
Strategic — Strategy Direction Risk The risk of inappropriate or ineffective enterprise level strategies and initiatives due to changes of market or economic conditions impacting the achievement of financial objectives.	• Periodic planning exercises between the Group's management and entities' responsible officers to discuss and analyse their strategic directions • Regular meetings amongst Board members and senior management to review the execution of strategic plan • Regular operational review in light of present circumstances	
Strategic — Investment Risk The risk of poor performance of the investment portfolio due to different factors such as the rising of geopolitical tensions and volatility in global financial market, type, or leadership of the investee companies, thereby impacting the Group's profitability and/or financial strength.	• Adequate risk assessment in the investment decision process • Setting up of investment committee and authority matrix for the approval of investment • Well-diversified investment portfolio across different industries and geographic locations • Certain limits set for specific types of investment • Regular Board review on the progress and performance of the investment	
Operational — Natural Disaster Risk[1] The risk of extensive damage in network facilities caused by storm, flood, landslide, extreme weather phenomenon due to climate change impacting the Group's ability to sustain operation and/or loss of critical data and/or information.	• Performing periodic system backup • Establish business continuity plan covering different disaster scenarios • Appropriate insurance coverage for different disaster scenarios	

[1] Material risk identified with ESG aspects

Risk Management Report *(continued)*

MATERIAL RISKS *(continued)*

B. Financial Service Business

Risks	Examples of Response Taken	Risk Trend
Compliance — Legal/Regulatory Compliance Risk The risk of violation of legal/regulatory requirements of the jurisdiction/ supervisory agency, thereby exposing the Group to legal/regulatory actions and/or financial loss.	• Group level oversight of entities' compliance programs including the program status and progress of actions • Effective compliance functions in different areas enforcing the compliance of internal policies and procedures for sales practices, staff dealing, know your customer control, anti-money laundering control, etc. • Regular monitoring of the regulatory changes	Risk level has increased

C. Property Investment, Property Development and Management Services

Risks	Key Controls	Risk Trend
Strategic — Competitor Risk The risk of competitors' actions (such as aggressive pricing and introduction of new products/services) or new entrants to the market, thereby impacting the Group's ability to achieve the market share target and/or sale revenue target.	• Sourcing of more appropriate leasing agents • Adjustment of commission to motivate leasing agents • Taking aggressive measures to expedite leasing	Risk level has remained steady

Risk level has increased   Risk level has remained steady

Risk Management Report *(continued)*

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

During the Year, the Board, through the Audit Committee, has reviewed the adequacy and effectiveness of the risk management and internal control systems based on:

1. Regular risk management progress reports on the status of implementation;

2. Regular risk reports on the Group's material risks and entities' risk profile including key mitigations;

3. Risk and control self-assessment by various entities;

4. Regular audit reports by the Group Internal Audit Department for audit evaluation of the internal controls and key findings with relevant recommendations;

5. Consideration on the adequacy of resources, staff qualifications and experience, training programmes and budgets of the accounting, internal audit and financial reporting functions;

6. Consideration on the scope and quality of management's ongoing monitoring of the systems; and

7. Consideration on the extent and frequency of communication and reporting to the Board and Audit Committee on the risk management results and risk issues.

As a result of the review, the Board, with the confirmation from the Management of the Group, considered the risk management and internal control systems to be effective and adequate for the Year. However, it should be acknowledged that the systems are designed to manage rather than to eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against such risks.

Environmental, Social and Governance Report

ABOUT THIS REPORT

By reporting the policies, measures and performances of the Group in environmental, social and governmental aspects, this report allows all stakeholders to better understand the progress of the Group towards sustainability.

Reporting Boundary

This report focuses on the operations of the Company's head office in Hong Kong and its subsidiaries in property investment and development as well as corporate finance and securities broking for the Year. The reporting boundary is in line with the previous report. While not all of the Group's operations is covered, it is the Group's aim to consistently upgrade the internal data collection procedure and gradually expand the scope of disclosure where appropriate.

Business	Subsidiaries covered in the reporting boundary
Property investment, development and management	北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.) ("Beijing Lippo") 成都力寶置業有限公司 (Chengdu Lippo Realty Limited) ("Chengdu Lippo") Fairseas 1 Pte. Ltd. ("Fairseas") One Realty Pte. Limited ("One Realty")
Corporate finance and securities broking	LSHL (up to disposal completion on 11 December 2018)
Management services	HCL Management Limited ("HCL Management")

Reporting Standard

This report is prepared in accordance with the 'comply or explain' provisions of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix 27 of the Listing Rules. The four reporting principles: materiality, quantitative, balance and consistency form the backbone of this report. Selected key performance indicators that are categorised by the ESG Reporting Guide as 'recommended disclosures' for enhanced reporting are included for readers' easy reference.

To ensure the accuracy of environmental key performance indicators, the Group commissioned a professional consultant to conduct a carbon assessment.

Confirmation

Information in this report is sourced from the official documents, statistical data, and management and operational information of and collected by the Group.

Opinion and Feedback

The Group values the opinion of stakeholders. Any stakeholder having any questions or suggestions on this report is welcome to contact the Group by post or email to the following:

Address: 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong
Email: hkc.ir@lippohk.com

ESG GOVERNANCE

The Board takes the overall responsibility for the oversight of the Group's policies, measures and performance on ESG matters. Through board meetings, the Board evaluates and reviews ESG matters as appropriate.

To more properly address and manage the sustainability risks and opportunities faced by the Group, the Group has formed a working group which comprises representatives from business divisions, Group secretary and compliance team. To better prepare the Group for future challenges, the Group will continue to enhance its ESG governance and develop sustainability strategies more comprehensively.

Risk Management and Internal Control

The Group considers effective risk management as an integral part of day-to-day operations and sound corporate governance. It is essential for the Group to evaluate risks that may prevent or endanger the achievement of its strategic and business goals, and to identify opportunities ahead.

The Board has the overall responsibility for the risk management and internal control systems. The Group's risk governance structure and risk management process span all business entities and departments. Empowered by the Board, the Audit Committee reviews and approves risk criteria, oversees the risk exposure and reviews the adequacy and effectiveness of the systems.

In an effort to educate business entities and departments, the Group organised company-wide workshops at three locations during the Year on how to identify and assess risk areas, and take appropriate actions to address the risks.

For further information regarding the Group's risk management strategy, governance structure and process, please refer to pages 33 to 41 of this Annual Report.

Environmental, Social and Governance Report *(continued)*

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholders are groups or individuals who have a significant impact on the Group's business, and those who are materially influenced or affected by the Group's business. Understanding stakeholders' views guides the Group to meet their needs and expectations, and manage potential risks and opportunities.

Main Means of Stakeholder Engagement

Internal Stakeholders	External Stakeholders
• C-level executives • Board of directors • Senior and middle management • General staff	• Investors • Shareholders • Suppliers • Business partners • Auditors • Service providers • Customers

Engagement methods:
Meetings, emails, telephone, interviews, conferences, visits, website, survey

Materiality Assessment

To identify the most important environmental and social issues for the Group and its stakeholders, a three-step approach was adopted in conducting materiality assessment.

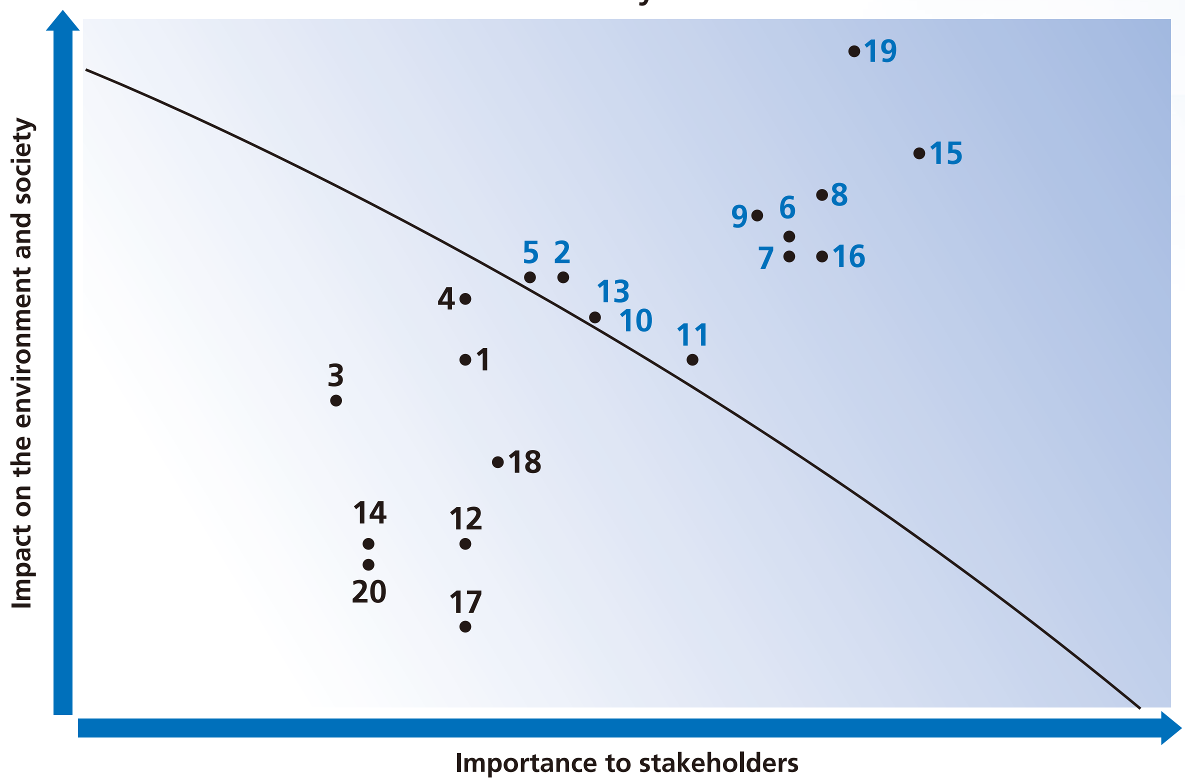
1. Issue identification	2. Online questionnaire	3. Materiality matrix
Management Interview • Conducted interview with the senior management to identify new and emerging material issues and risks **Expert review** • Identified relevant issues	• Stakeholders ranked the issues by their importance to them and the Group's impact on the environment and society • Received 24 valid responses from internal and external stakeholders	• Assessed the materiality of each issue • Developed a materiality matrix to present stakeholders' views

Environmental, Social and Governance Report *(continued)*

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

Out of 20 issues, the Group has identified 12 issues relating to the environmental and social aspects to be the material focus of this report.

Materiality Matrix



Number (see materiality matrix above)	Identified Material Issues
19	Anti-corruption
15	Protection of customer information and privacy
8	Health and safe working environment
9	Training and development
16	Quality management and after-sales service
6	Employment management system
7	Employer-employee relations
2	Energy use
11	Employee diversity and equal opportunities
5	Effluent and waste generation and management
10	Elimination of discrimination
13	Labour standards

Looking ahead, the Group will continue to explore different forms of engagement and strengthen its interaction with stakeholders to create mutually beneficial relationships.

Environmental, Social and Governance Report *(continued)*

OPERATING RESPONSIBLY

As a responsible corporate citizen, the Group is committed to upholding business ethics and standards of quality products and services. Its commitment and approach are underlined in the following Group's policies.

Anti-corruption Policy	Whistleblowing Policy	Product and Service Responsibility Policy	Sustainable Supply Chain Policy

Anti-corruption and Whistleblowing

The Group is against bribery, extortion, fraud and money laundering as honesty, integrity and fair play have always been the Group's core values. The Anti-corruption Policy guides directors and staff in circumstances such as acceptance of advantage and handling of conflict of interest. Considering the business nature of the LSHL group, its employees were also required to act in accordance with the Staff Dealing Rule in its Compliance Manual, as well as the Prevention of Money Laundering and Terrorist Financing Policy.

According to the Group's Whistleblowing Policy, a whistleblower should report any suspected misconduct, malpractice or irregularity to his/her manager or head of department, and even directly to the Group Internal Audit Department ("GIA"), the Chief Executive Officer of the Company or the Audit Committee (as the case may be). The Audit Committee and the GIA assess and investigate reports if received. The process is kept confidential and the whistleblower is protected against unfair dismissal, victimisation or unwarranted disciplinary action. For effective monitoring and implementation, the Whistleblowing Policy is reviewed periodically by the head of the GIA.

There are no relevant laws and regulations in relation to corruption that have a significant impact on the Group. During the Year, the Group did not identify any cases of non-compliance in relation to corruption or whistleblowing nor was there any concluded legal case regarding corruption practices brought against it or its employees.

Product Responsibility

The Group's Product and Service Responsibility Policy defines its commitment with regards to the safety and quality of its products and services, customer feedback and product recall, advertising and labelling, as well as protection of customer data and intellectual property.

Customer data and intellectual property

The Product and Service Responsibility Policy provides employees with a clear framework of guiding principles on safeguarding customer data and intellectual property of any third-party. Employees are expected to comply with applicable laws and regulations when performing duties on behalf of the Group. Considering the business nature of the Group, it collects and keeps confidential information of its business partners, customers and tenants. The Group ensures that only authorised persons have access to such information.

There are no relevant laws and regulations in relation to privacy matters that have a significant impact on the Group. During the Year, the Group did not identify any cases of non-compliance in relation to privacy matters.

Environmental, Social and Governance Report *(continued)*

OPERATING RESPONSIBLY *(continued)*

Product Responsibility *(continued)*

Product and service safety and quality

Property investment and development

The Group seeks to nurture its relationship with customers. To enhance customer satisfaction, subsidiaries such as Chengdu Lippo conduct quarterly visits to their tenants to collect their feedback and identify ways to improve their products and services.

During the Year, the Group did not have any ongoing property project under development. Product health and safety, as well as quality project management were not material issues for the business segment.

Corporate finance and securities broking

The LSHL group established a Compliance Manual based on both the requirements of the Group and that of the Securities and Futures Commission (the "SFC"), outlining the code of conduct for employees when performing their duties. Employees were expected to follow the 'Know Your Client' approach in accordance with the SFC guidelines when providing financial recommendations to clients.

When customer complaints arose, the relevant parties should follow the LSHL group's established procedures in handling the complaints. All complaints should be directed to the Compliance Department. Investigation should be carried out by staff who were not directly involved in the subject matter of the complaint. Each case must be promptly responded to and concluded in writing.

Responsible marketing and customer communication

The Group recognises the importance of responsibly advertising and labelling its products and services. As stated in the Product and Service Responsibility Policy, the Group seeks to disclose adequate information to customers, and promote and advertise its products and services in ways that do not mislead consumers. In particular, for the LSHL group, the Compliance Manual clarifies the standards and practices of providing information to customers. For provision of services with a high risk level, such as derivative products, employees should ensure customers understand the nature and associated risks of the product.

There are no relevant laws and regulations in relation to advertising and labelling that have a significant impact on the Group. During the Year, the Group did not identify any non-compliance or complaint in relation to advertising and labelling.

Environmental, Social and Governance Report *(continued)*

OPERATING RESPONSIBLY *(continued)*

Supply Chain Management

The Group continues to enhance its supply chain management through managing the social and environmental risks in its supply chain. The Sustainable Supply Chain Policy defines the social and environmental factors the Group considers in supplier selection and monitoring. Examples of the factors include:

Business ethics	Product/ service safety and quality	Work health and safety	Social responsibility	Environmental management

The Group will continue to enforce these standards and promote its aim to build a socially and environmentally responsible supply chain to its business partners.

CARING FOR OUR EMPLOYEES

Health and Safety

Ensuring the health and safety of employees is a priority of the Group. It is the Group's goal to minimise safety and health risks to protect employees from occupational hazards and minimise safety and health risks as underlined in its Human Resources Policy.

For the property investment and development business, employees participate in fire drills for better emergency preparedness and first aid kits are provided at offices. For subsidiaries located in regions of poorer air quality such as Beijing Lippo, personal desktop air cleaners are provided to employees.

Fairseas maintains a safe environment for its seafarers in line with the Standards of Training, Certification and Watchkeeping for Seafarers (STCW) 2010. In addition to basic safety and medical training, seafarers at Fairseas are required to participate in a semi-monthly safety drill and an advanced automated external defibrillation ("AED") training course organised by an external party annually. These equip them with skills and confidence in handling emergencies.

Environmental, Social and Governance Report *(continued)*

CARING FOR OUR EMPLOYEES *(continued)*

Training and Development

Training and development are key drivers of employee engagement and retention. In accordance with the Human Resources Policy, the Group supports employees to seek a variety of learning opportunities for career development.

During the Year, the Group organised a number of internal and external training for its employees:

Business	Subsidiary	Training highlights in the Year
Property investment and development	Chengdu Lippo	• Training workshop on enterprise risk management, including risk governance and risk ownership, etc.;
	Beijing Lippo	• Training workshop on enterprise risk management;
	One Realty	• Training workshop on enterprise risk management; • Continuing professional education in technical areas, e.g. taxation, financial accounting standards, human resources management and other developmental areas based on employees' needs.
Corporate finance and securities broking	LSHL group	• Training workshop on enterprise risk management; • Anti-money laundering and counter-terrorist financing seminar conducted by the SFC; • Introductory courses for new employees; • In-house training on anti-money laundering and cybersecurity.
Management services	HCL Management	• Training workshop on enterprise risk management; • Subsidies provided for external training based on employees' needs, e.g. corporate governance, ESG, financial accounting standards, risk management, anti-money laundering and cybersecurity, etc.
Yacht operation	Fairseas	• First aid training, e.g. CPR, AED certificate course; • Refresher course on Standards of Training, Certification and Watchkeeping for Seafarers; • Powered Pleasure Craft Driving Licence course; • Training on proficiency in security awareness.

Environmental, Social and Governance Report *(continued)*

CARING FOR OUR EMPLOYEES *(continued)*

Training and Development *(continued)*

An annual performance appraisal is in place to assess the performance of employees against different performance indexes and goals. It is the responsibility of the relevant divisions and departments to carry out coaching conversations and evaluate the development needs of employees.

Employment Well-being

As stated in the Human Resources Policy, the Group aims at creating a motivating, impartial, harmonious and safe working environment. Employment policies and procedures provide clear guidelines on recruitment, dismissal, hours of work, overtime compensation and benefits.

Diversity and equal opportunities

Employee diversity and equal opportunities are fundamental elements of the Human Resources Policy. Employees are given equal access to opportunities regardless of their age, gender, marital status, pregnancy, sexual orientation, family status, disability, politics, race, nationality or religion. The Group recruits, compensates, rewards and promotes its employees justly based on their performance, aptitude and potential.

Fair and competitive remuneration

The Group enhances employees' well-being by offering comprehensive welfare and benefits. A number of benefits in addition to the statutory requirements are covered in the Group's remuneration package, such as paid marriage leave, medical and compassionate leave, annual leave, healthcare insurance and retirement benefits.

Employee communication

Establishing open communication is essential to maintaining engagement and building trust in the workplace. Communication channels are in place for employees to file any complaints or concerns to their direct supervisors and managers, the human resources department, the general manager or the chief executive officer as appropriate. All complaints received will be handled confidentially. For the LSHL group, the front office and department heads also held meetings fortnightly to facilitate communication between the group and the employees.

Labour Standards

As stated in its Human Resources Policy, the Group prohibits any form of child labour and forced labour, and has established effective systems and controls across its operations. For example, during recruitment, responsible staff assesses the academic qualifications, talent, age and experience of applicants.

There are no relevant laws and regulations in relation to employment, health and safety, and labour standards that have a significant impact on the Group. During the Year, the Group did not identify any cases of non-compliance in relation to health and safety, employment, child labour and forced labour.

Environmental, Social and Governance Report *(continued)*

PROTECTING THE ENVIRONMENT

To uphold the interest of the communities, the Group continues to focus on maintaining environmentally responsible business practices. Guided by the Environmental Policy, the Group takes into account material environmental risks and opportunities when conducting its business. All subsidiaries are expected to manage and minimise their environmental impact by establishing applicable procedures and measures. Their environmental performance is constantly tracked and reported to ensure compliance with regulatory requirements and industry codes.

Environmental Management

Emissions

To manage its emissions, the Group continues to give priority to purchase of office equipment and company vehicles with higher energy efficiency and lower emissions, such as LED lights and electric vehicles.

Air emissions

The air emissions data is set out in the Key Performance Indicators section below.

Greenhouse Gases ("GHG")

Guidelines for Accounting and Reporting Greenhouse Gas Emissions – China Public Building Operator Units (Enterprises) (Trial) of the PRC, the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong and international standards including ISO 14064-1 and GHG Protocol were referred to during the quantification of GHG emissions.

The total GHG emissions of the Year was 144.8 tonnes CO_2-e, with a decrease of 58.5% comparing with 2017/2018. The GHG intensity was 0.2 tonnes CO_2-e/square metre floor area or 1.75 tonnes CO_2-e/million HK$ revenue, with a decrease of 13.0% and 40.5% respectively comparing with 2017/2018.

Scope 1, being the direct GHG emissions, constitutes 32% of the total GHG emissions. Scope 2 and Scope 3, being the energy indirect GHG emissions and other indirect GHG emissions, account for 64% and 4% of the total GHG emissions respectively. The GHG emissions data is set out in the Key Performance Indicators section below.

Moving forward, the Group will consider the possibility of using the emission data in support of establishing a group-wide carbon reduction strategy, identifying carbon reduction actions and setting reduction targets.

Environmental, Social and Governance Report *(continued)*

PROTECTING THE ENVIRONMENT *(continued)*

Environmental Management *(continued)*

Resource and waste management

The Group is mindful of its responsibility of using resources in an efficient and responsible way. The Group seeks to manage its consumption of energy, water and other materials, and wastes it produces through implementing a number of measures:

Energy

- Automatic lighting controls on a set schedule to save energy during non-business hours;
- Set thermostat of air conditioner to optimal temperature that balance employee comfort and energy use;
- Perform regular cleaning and maintenance of air-conditioning systems;
- Give priority to energy efficient electrical appliances and LED lights when there is need for replacement.

The total energy consumption of the Year was 341.2 MWh-e, with a drop of 66% comparing with 2017/2018. The energy intensity was 0.46 MWh-e/square metre floor area or 4.1 MWh-e/million HK$ revenue. A decrease of 30.3% and 51.8% was recorded respectively comparing with 2017/2018.

Water

- Install water efficient taps with a low flow rate;
- Perform regular maintenance of water supply facilities.

The total water consumption and the water intensity of the Year was 111.5 cubic metre and 27.9 cubic metre/employee respectively. A drop of 57.8% were recorded for both figures respectively comparing with 2017/2018.

Waste

Major non-hazardous waste produced across the Group's operations are domestic solid waste from offices. All are disposed of by authorised vendors in accordance with applicable environmental regulations.

The Group has implemented the following measures to reduce waste:

- Adopt e-communication whenever possible;
- Practise reuse and recycling in office where feasible;
- Print double-sided;
- Reuse one-sided used paper.

The Group produced 0.98 tonnes non-hazardous waste during the Year. Non-hazardous waste intensity was 0.03 tonnes/employee. An increase of 14.0% and a decrease of 57.1% was recorded respectively comparing with 2017/2018. The Group's operations did not produce any hazardous waste during the Year.

The data on use of resources is set out in the Key Performance Indicators section below.

PROTECTING THE ENVIRONMENT *(continued)*

The Environment and Natural Resources

Beyond the GHG emissions and resource use as mentioned above, the nature of the Group's business does not have a significant impact on the environment and natural resources. Looking ahead, the Group will continue to look for ways in managing energy and water consumption across its operations to reduce its impact on the environment and natural resources.

There are no relevant laws and regulations in relation to the environment that have a significant impact on the Group. During the Year, the Group did not identify any cases of non-compliance in relation to the environment.

INVESTING IN SOCIETY

The Group seeks to understand the needs of various stakeholders and local communities in which it sources, manufactures and markets its services. Guided by the Donation Policy, donations are given with the aim of meeting the needs and fostering the social development of the communities. The focus areas of contribution continue to cover various aspects, ranging over education, sickness and disability relief, poverty alleviation, disaster aid and religious pursuit. During the Year, the Group has donated a total of approximately HK$5,882,000 for various charity initiatives.

The Group mobilised employees to support the "Share-To-Care Volunteer Campaign" organised by Agency for Volunteer Service in January 2019. Our volunteers paid caring visits and delivered gift bags to the elderly and disabled, as well as disadvantaged families and individuals.

The Group will continue its efforts in community engagement and leverage its expertise in community investment initiatives.

Environmental, Social and Governance Report *(continued)*

KEY PERFORMANCE INDICATORS

Environmental Performance

Air emissions	Emissions (kg)	
	2018/2019	2017/2018
Nitrogen oxides	1.06	0.90
Sulphur oxides	0.32	0.35
Respirable suspended particles	0.64	0.08

GHG emissions	Emissions (tonnes CO_2-e)	
	2018/2019	2017/2018
Scope 1: Direct emissions	46.8	209.0
Scope 2: Energy indirect emissions	92.0	132.2
Scope 3: Other indirect emissions	6.0	7.7
Total (Scope 1, 2 and 3)	**144.8**	**349.0**
GHG intensity (tonnes CO_2-e/square metre)	0.20	0.23
GHG intensity (tonnes CO_2-e/million HK$ revenue)	1.75	2.94

Waste	Amount (tonnes)	
	2018/2019	2017/2018
Hazardous waste	0	0.251[1]
Hazardous waste intensity (tonnes/employee)	Not applicable	0.06
Non-hazardous waste	0.98	0.862[2]
Non-hazardous waste intensity (tonnes/employee)	0.03	0.07

1 Including the data of Fairseas only.

2 Including the data of Beijing Lippo and Chengdu Lippo only.

Environmental, Social and Governance Report *(continued)*

KEY PERFORMANCE INDICATORS *(continued)*

Environmental Performance *(continued)*

Energy consumption		Amount of consumption 2018/2019	2017/2018
Direct energy	Petrol (MWh-e)	36.4	43.2
	Diesel (MWh-e)	143.3	742.1
Indirect energy	Electricity (MWh)	161.5	219.4
Total (MWh-e)		**341.2**	**1,004.7**
Energy intensity (MWh-e/square metre)		0.46	0.66
Energy intensity (MWh-e/million HK$ revenue)		4.1	8.5

Water consumption	Amount of consumption[3] 2018/2019	2017/2018
Total (cubic metre)	111.5	264.3
Water intensity (cubic metre/employee)	27.9	66.1

3 Including the data of Fairseas only.

Packaging material used	Amount of consumption 2018/2019	2017/2018
Total	Not applicable	Not applicable
Intensity	Not applicable	Not applicable

Social Performance[4]

4 Excluding the data of LSHL, which was disposed of in December 2018, for figures in 2018/2019.

Number of employees								2018/2019		2017/2018	
Region	Gender	Below 30	30–50	Above 50	Management	Other employees	Subtotal	Total workforce	Workforce ratio by gender	Total workforce	Workforce ratio by gender
Hong Kong	Male	0	2	6	4	4	8	34	0.89:1	68	1:1
	Female	0	4	3	0	7	7				
Singapore	Male	0	1	2	0	3	3				
	Female	0	2	2	0	4	4				
Mainland China	Male	0	4	1	2	3	5				
	Female	0	6	1	2	5	7				

Environmental, Social and Governance Report *(continued)*

KEY PERFORMANCE INDICATORS *(continued)*

Social Performance[4] *(continued)*

Work-related fatality and injury

	Number and rate of work-related fatalities	Number of work-related injury	Lost days due to work injury
2018/2019	0	0	0
2017/2018	0	0	0

Number of employees trained

Region	Gender	Management	Other employees	Subtotal	2018/2019 Male	2018/2019 Female
Hong Kong	Male	2 (50%)	3 (75%)	5 (63%)	6 (38%)	8 (44%)
	Female	–	3 (43%)	3 (43%)		
Singapore	Male	–	0 (0%)	0 (0%)		
	Female	–	4 (100%)	4 (100%)		
Mainland China	Male	1 (50%)	0 (0%)	1 (20%)		
	Female	1 (50%)	0 (0%)	1 (14%)		

Average training hours

Region	Gender	Management	Other employees	Total employees	2018/2019 Male	2018/2019 Female
Hong Kong	Male	13.8	17.3	15.6	8	7
	Female	–	6	6		
Singapore	Male	–	0	0		
	Female	–	20.3	20.3		
Mainland China	Male	1.8	0	0.7		
	Female	1.8	0	0.5		

Environmental, Social and Governance Report *(continued)*

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/ Remarks
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	51-53
A1.1	The types of emissions and respective emissions data.	54
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	54
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	54
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	54
A1.5	Description of measures to mitigate emissions and results achieved.	51-52
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	51-52
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	51
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	55
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	55
A2.3	Description of energy use efficiency initiatives and results achieved.	52
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	52-53; No issue in sourcing water
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	55
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	53
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	53
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	50
B1.1	Total workforce by gender, employment type, age group and geographical region.	55

Environmental, Social and Governance Report *(continued)*

ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Material Aspect	Content	Page Index/ Remarks
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	48
B2.1	Number and rate of work-related fatalities.	56
B2.2	Lost days due to work injury.	56
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	48
GRI 403-2	Injury rate (number of injuries per 1,000 employees).	56
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	49-50
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	50
B4.1	Description of measures to review employment practices to avoid child and forced labour.	50
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	48
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	46-47
B6.3	Description of practices relating to observing and protecting intellectual property rights.	46
B6.4	Description of quality assurance process and recall procedures.	47
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	46
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	46
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	46; No concluded legal cases
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	46
B8 Community Investment		
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Independent Auditor's Report

EY 安永

To the shareholders of Hongkong Chinese Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Hongkong Chinese Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 156, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report *(continued)*

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of interest in a joint venture	
The carrying amount of the Group's interests in joint ventures amounted to HK$10,533 million as at 31 March 2019. The interests in joint ventures were stated at the Group's share of net assets under the equity method of accounting, less any impairment losses at the end of each reporting period. The carrying amount of the Group's interest in Lippo ASM Asia Property Limited ("LAAPL"), a material joint venture of the Group, amounted to HK$10,258 million as at 31 March 2019. LAAPL has a controlling interest in OUE Limited, a listed company in Singapore which is principally engaged in developing and managing assets across the commercial, hospitality, retail, residential and healthcare sectors. The impairment assessment of the Group's interest in LAAPL and its subsidiaries is significant to our audit due to (i) the significance of the carrying amount as at 31 March 2019; and (ii) the determination of the recoverable amount of the interest in LAAPL requires significant management's judgement and estimate. Related disclosures are included in Notes 3 and 18 to the consolidated financial statements.	We assessed management's process for identifying the objective evidence of impairment in respect of the interest in LAAPL. We evaluated and tested the assumptions and methodologies used by management in the determination of the recoverable amount. We assessed the cash flow projection of LAAPL by making reference to its historical financial performance. For the discount rate applied to the cash flow projection, we assessed the inputs used to determine the rate with reference to market data. We involved our internal valuation specialists to assist us in assessing the discount rate adopted in the cash flow projection.
Fair value of investment properties	
As at 31 March 2019, investment properties measured at fair values amounted to approximately HK$140 million, with a corresponding net fair value gain of HK$6 million recognised in profit or loss. The valuation process is inherently subjective and dependent on a number of estimates. The Group has engaged independent professional valuers to perform the valuation of the investment properties. Related disclosures are included in Notes 3 and 16 to the consolidated financial statements.	We considered the objectivity, independence and competency of the valuers. We assessed the valuation methodologies adopted and assumptions used by the valuers, and performed market value benchmarking against comparable properties. We involved our internal valuation specialists to assist us in evaluating the methodologies adopted and the assumptions used by the valuers for the valuation of investment properties held by the Group.

Independent Auditor's Report *(continued)*

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report *(continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report *(continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Yat Kin.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

27 June 2019

Consolidated Statement of Profit or Loss

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations			
Revenue	5	**71,155**	101,144
Cost of sales	6	**(2,889)**	(8,016)
Gross profit		**68,266**	93,128
Administrative expenses		**(42,044)**	(45,218)
Other operating expenses		**(53,720)**	(20,358)
Gain on disposal of interests in a joint venture		**–**	113,905
Fair value gain on investment properties		**6,032**	3,035
Net fair value gain on financial instruments at fair value through profit or loss	6	**1,016**	27,135
Finance costs	9	**(17,338)**	(13,530)
Share of results of associates		**5,750**	5,790
Share of results of joint ventures	10	**(101,294)**	177,251
Profit/(Loss) before tax from continuing operations	6	**(133,332)**	341,138
Income tax	11	**(2,350)**	(3,961)
Profit/(Loss) for the year from continuing operations		**(135,682)**	337,177
Discontinued operation			
Profit/(Loss) for the year from discontinued operation	12	**145,677**	(11,134)
Profit for the year		**9,995**	326,043
Attributable to:			
Equity holders of the Company		**10,818**	326,840
Non-controlling interests		**(823)**	(797)
		9,995	326,043
		HK cents	HK cents (Restated)
Earnings/(Loss) per share attributable to equity holders of the Company	13		
Basic and diluted			
– For profit for the year		**0.5**	16.4
– For profit/(loss) from continuing operations		**(6.8)**	16.9

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Profit for the year		**9,995**	326,043
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Changes in fair value		**–**	543
Adjustment for disposal of interests in a joint venture		**–**	167
Exchange differences on translation of foreign operations		**(31,992)**	64,403
Exchange differences reclassified to profit or loss upon:			
Disposal of subsidiaries	12	**(2,708)**	–
Liquidation of foreign operations		**(2,641)**	1,140
Share of other comprehensive income/(loss) of joint ventures:			
Exchange differences on translation of foreign operations		**(205,036)**	611,635
Changes in fair value of available-for-sale financial assets		**–**	115,339
Other reserves		**(8,048)**	17,112
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax		**(250,425)**	810,339
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity instrument at fair value through other comprehensive income		**(6)**	–
Share of changes in fair value of equity instruments at fair value through other comprehensive income of joint ventures		**29,438**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**29,432**	–
Other comprehensive income/(loss) for the year, net of tax		**(220,993)**	810,339
Total comprehensive income/(loss) for the year		**(210,998)**	1,136,382
Attributable to:			
Equity holders of the Company		**(207,880)**	1,132,571
Non-controlling interests		**(3,118)**	3,811
		(210,998)	1,136,382
Total comprehensive income/(loss) for the year attributable to equity holders of the Company:			
– From continuing operations		**(350,425)**	1,141,629
– From discontinued operation		**142,545**	(9,058)
		(207,880)	1,132,571

Consolidated Statement of Financial Position

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Fixed assets	15	**32,486**	38,670
Investment properties	16	**140,112**	122,328
Interests in associates	17	**374,295**	381,059
Interests in joint ventures	18	**10,533,021**	10,631,431
Financial assets at fair value through other comprehensive income	19	**18**	–
Financial assets at fair value through profit or loss	20	**2,940**	–
Available-for-sale financial assets	19	**–**	3,175
Other financial asset	21	**49,087**	48,826
		11,131,959	11,225,489
Current assets			
Properties held for sale		**85,385**	91,653
Properties under development	22	**29,566**	30,580
Loans and advances	23	**8,356**	20,833
Debtors, prepayments and deposits	24	**7,920**	36,533
Financial assets at fair value through profit or loss	20	**16,458**	7,518
Tax recoverable		**197**	–
Client trust bank balances		**–**	300,909
Restricted cash	25	**–**	1,073
Time deposits with original maturity of more than three months		**–**	4,785
Cash and cash equivalents		**506,525**	539,031
		654,407	1,032,915
Current liabilities			
Bank and other borrowings	26	**246,667**	–
Creditors, accruals and deposits received	27	**35,638**	471,705
Tax payable		**54,464**	58,786
		336,769	530,491
Net current assets		**317,638**	502,424
Total assets less current liabilities		**11,449,597**	11,727,913

Consolidated Statement of Financial Position *(continued)*

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Bank and other borrowings	26	**490,000**	481,667
Deferred tax liabilities	28	**15,379**	15,234
		505,379	496,901
Net assets		**10,944,218**	11,231,012
Equity			
Equity attributable to equity holders of the Company			
Share capital	29	**1,998,280**	1,998,280
Reserves	30	**8,925,069**	9,200,672
		10,923,349	11,198,952
Non-controlling interests		**20,869**	32,060
		10,944,218	11,231,012

Stephen Riady
Director

John Luen Wai Lee
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium account HK$'000	Capital redemption reserve *(Note 30(b))* HK$'000	Fair value reserve of financial assets at FVOCI* HK$'000	Hedging reserve *(Note 30(c))* HK$'000	Exchange equalisation reserve HK$'000	Distributable reserves *(Note 30(b))* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 March 2018, as previously reported	1,998,280	92,775	22,144	384,033	1,419	717,684	7,982,617	11,198,952	32,060	11,231,012
Impact on initial application of HKFRS 9 *(Note 2.2(a))*	–	–	–	(64,395)	–	–	58,839	(5,556)	–	(5,556)
At 1 April 2018, as adjusted	1,998,280	92,775	22,144	319,638	1,419	717,684	8,041,456	11,193,396	32,060	11,225,456
Profit for the year	–	–	–	–	–	–	10,818	10,818	(823)	9,995
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(29,697)	–	(29,697)	(2,295)	(31,992)
Exchange differences reclassified to profit or loss upon:										
Disposal of subsidiaries	–	–	–	–	–	(2,708)	–	(2,708)	–	(2,708)
Liquidation of foreign operations	–	–	–	–	–	(2,641)	–	(2,641)	–	(2,641)
Changes in fair value of equity instrument at fair value through other comprehensive income	–	–	–	(6)	–	–	–	(6)	–	(6)
Share of other comprehensive income/(loss) of joint ventures	–	–	–	29,355	(7,965)	(205,036)	–	(183,646)	–	(183,646)
Total comprehensive income/(loss) for the year	–	–	–	29,349	(7,965)	(240,082)	10,818	(207,880)	(3,118)	(210,998)
Changes in non-controlling interests without change in control	–	–	–	–	–	–	(265)	(265)	(466)	(731)
Share of equity movements arising on equity transactions of joint ventures	–	–	–	–	–	–	(21,936)	(21,936)	–	(21,936)
Transfer of reserve of a joint venture	–	–	–	(554)	–	–	554	–	–	–
2017/2018 final dividend declared and paid to shareholders of the Company	–	–	–	–	–	–	(19,983)	(19,983)	–	(19,983)
2018/2019 interim dividend declared and paid to shareholders of the Company	–	–	–	–	–	–	(19,983)	(19,983)	–	(19,983)
Return of capital to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(7,607)	(7,607)
At 31 March 2019	**1,998,280**	**92,775**	**22,144**	**348,433**	**(6,546)**	**477,602**	**7,990,661**	**10,923,349**	**20,869**	**10,944,218**

* FVOCI stands for fair value through other comprehensive income and the balance at 31 March 2018 represents the investment revaluation reserve in relation to the available-for-sale financial assets under HKAS 39.

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 March 2019

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium account	Capital redemption reserve *(Note 30(b))*	Investment revaluation reserve	Hedging reserve *(Note 30(c))*	Exchange equalisation reserve	Distributable reserves *(Note 30(b))*	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	1,998,280	92,775	22,144	267,984	(15,693)	45,114	7,601,588	10,012,192	43,226	10,055,418
Profit for the year	–	–	–	–	–	–	326,840	326,840	(797)	326,043
Other comprehensive income for the year:										
Available-for-sale financial assets:										
Changes in fair value	–	–	–	543	–	–	–	543	–	543
Adjustment for disposal of interests in a joint venture	–	–	–	167	–	–	–	167	–	167
Exchange differences on translation of foreign operations	–	–	–	–	–	59,795	–	59,795	4,608	64,403
Exchange differences reclassified to profit or loss upon liquidation of foreign operations	–	–	–	–	–	1,140	–	1,140	–	1,140
Share of other comprehensive income of joint ventures	–	–	–	115,339	17,112	611,635	–	744,086	–	744,086
Total comprehensive income for the year	–	–	–	116,049	17,112	672,570	326,840	1,132,571	3,811	1,136,382
Share of equity movements arising on equity transactions of joint ventures	–	–	–	–	–	–	94,155	94,155	–	94,155
2016/2017 final dividend declared and paid to shareholders of the Company	–	–	–	–	–	–	(19,983)	(19,983)	–	(19,983)
2017/2018 interim dividend declared and paid to shareholders of the Company	–	–	–	–	–	–	(19,983)	(19,983)	–	(19,983)
Dividend declared and paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(14,977)	(14,977)
At 31 March 2018	1,998,280	92,775	22,144	384,033	1,419	717,684	7,982,617	11,198,952	32,060	11,231,012

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash used in operations	32(a)	**(65,180)**	(12,242)
Interest received		**3,994**	1,946
Dividends received from:			
Associate		**–**	53,298
Joint venture		**2,873**	–
Investments		**574**	15
Tax paid:			
Hong Kong		**(852)**	–
Overseas		**(3,024)**	(24,752)
Net cash flows from/(used in) operating activities		**(61,615)**	18,265
Cash flows from investing activities			
Proceeds from return of capital of:			
Available-for-sale financial assets		**–**	1,496
Financial assets at fair value through profit or loss		**142**	–
Proceeds from disposal of fixed assets		**18**	–
Payments to acquire fixed assets		**(20,798)**	(730)
Repayment from associates		**–**	29,261
Advances to associates		**(45)**	(45)
Investments in joint ventures		**(31,058)**	–
Repayment from a joint venture		**–**	465
Advance to a joint venture		**(140,112)**	–
Disposal of subsidiaries	12	**164,826**	–
Refund of exclusivity payment		**(130,000)**	–
Decrease/(Increase) in time deposits with original maturity of more than three months		**4,632**	(4,785)
Net cash flows from/(used in) investing activities		**(152,395)**	25,662
Cash flows from financing activities			
Finance costs paid		**(12,171)**	(8,541)
Drawdown of bank and other borrowings *(Note)*		**250,000**	500,000
Repayment of bank and other borrowings *(Note)*		**–**	(500,000)
Acquisition of non-controlling interests		**(731)**	–
Dividends paid to shareholders of the Company		**(39,966)**	(39,966)
Dividend paid to a non-controlling shareholder of a subsidiary		**–**	(14,977)
Return of capital to a non-controlling shareholder of a subsidiary		**(7,607)**	–
Decrease in restricted cash		**61**	–
Net cash flows from/(used in) financing activities		**189,586**	(63,484)
Net decrease in cash and cash equivalents		**(24,424)**	(19,557)
Cash and cash equivalents at beginning of year		**539,031**	536,878
Exchange realignments		**(8,082)**	21,710
Cash and cash equivalents at end of year		**506,525**	539,031

Note: The amounts exclude bank loans drawn down by the Group for lending to its margin clients in respect of the initial public offerings. All such bank loans were fully repaid during the year.

Notes to the Financial Statements

1. CORPORATE AND GROUP INFORMATION

Hongkong Chinese Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. Its subsidiaries, associates and joint ventures are principally engaged in investment holding, property investment, property development, hotel operation, healthcare services, project management, securities investment, treasury investment, money lending, banking and other related financial services.

The immediate holding company of the Company is Hennessy Holdings Limited, a company incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company of the Company is Lippo Capital Group Limited, a company incorporated in Hong Kong.

Details of the principal subsidiaries are set out on pages 152 to 154.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes to the Financial Statements *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All significant intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or distributable reserves, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the application of the above new and revised standards has had no significant financial effect on these financial statements.

Notes to the Financial Statements *(continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) HKFRS 9 *Financial Instruments*

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

The following information sets out the impact of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

Classification and measurement

The changes in classification and measurement mainly affect the classification and measurement of the available-for-sale financial assets of the Group and its joint ventures.

Impairment

Upon adoption of HKFRS 9, the Group has applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade debtors. The results of the revision at 1 April 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's financial assets.

A joint venture has applied the general approach and recorded lifetime or twelve-month ECLs in accordance with HKFRS 9.

Notes to the Financial Statements *(continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) HKFRS 9 *Financial Instruments* *(continued)*

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

	Note	HKAS 39 measurement category	HKFRS 9 measurement category	HKAS 39 carrying amount HK$'000	Re-classification HK$'000	Re-measurement (including ECL impact) HK$'000	HKFRS 9 carrying amount HK$'000
Financial assets							
Available-for-sale financial assets:							
Equity securities	(i)	AFS	FVOCI	24	(24)	–	–
Debt securities	(ii)	AFS	FVPL	2,880	(2,880)	–	–
Investment funds	(iii)	AFS	FVPL	271	(271)	–	–
Financial assets at fair value through other comprehensive income:							
Equity securities	(i)	N/A	FVOCI	–	24	–	24
Financial assets at fair value through profit or loss:							
Equity securities		FVPL	FVPL	286	–	–	286
Debt securities	(ii)	FVPL	FVPL	–	2,880	–	2,880
Investment funds	(iii)	FVPL	FVPL	7,232	271	–	7,503
Loans and advances		L&R	AC	20,833	–	–	20,833
Financial assets included in debtors, prepayments and deposits		L&R	AC	34,900	–	–	34,900
Other financial asset		FVPL	FVPL	48,826	–	–	48,826
Client trust bank balances		L&R	AC	300,909	–	–	300,909
Restricted cash		L&R	AC	1,073	–	–	1,073
Time deposits with original maturity of more than three months		L&R	AC	4,785	–	–	4,785
Cash and cash equivalents		L&R	AC	539,031	–	–	539,031
Total financial assets				961,050	–	–	961,050
Other asset							
Interests in joint ventures	(iv)	N/A	N/A	10,631,431	–	(5,556)	10,625,875
Financial liabilities							
Bank and other borrowings		AC	AC	481,667	–	–	481,667
Financial liabilities included in creditors, accruals and deposits received		AC	AC	331,132	–	–	331,132
Total financial liabilities				812,799	–	–	812,799

FVOCI: Fair value through other comprehensive income
FVPL: Fair value through profit or loss
AC: Amortised cost
AFS: Available-for-sale
L&R: Loans and receivables
N/A: Not applicable

Notes to the Financial Statements *(continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) HKFRS 9 *Financial Instruments* *(continued)*

The following table summarised the impact of initial application of HKFRS 9 on the Group's equity as at 1 April 2018:

	Note	Fair value reserve of financial assets at FVOCI HK$'000	Retained profits HK$'000
HKAS 39 carrying amount at 31 March 2018, as previously reported		384,033	7,237,642
ECL adjustments	(iv)	110	(5,666)
Transfer from retained profits to fair value reserve of financial assets at FVOCI	(i)	(64,000)	64,000
Transfer from fair value reserve of financial assets at FVOCI to retained profits	(v)	(575)	575
Transfer of fair value reserve of financial assets at FVOCI by a joint venture	(vi)	70	(70)
Balance at 1 April 2018, as adjusted		319,638	7,296,481

Note:

(i) Equity securities classified as AFS were reclassified to FVOCI because the Group invests in such investments for strategic purpose and intends to hold for the foreseeable future and the Group has irrevocably elected to so classify upon initial recognition or transition. Besides, certain unlisted equity instruments classified as AFS were previously carried at cost less impairment. Upon initial application of HKFRS 9 at 1 April 2018, the accumulated impairment was transferred from retained profits to fair value reserve of financial assets at FVOCI (formerly investment revaluation reserve).

(ii) Certain debt securities were reclassified from AFS to FVPL as their cash flow characteristics fail the solely comprised of principal and interest criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

(iii) Investment funds classified as AFS were reclassified to FVPL as their cash flows are not solely payments of principal and interest on the principal outstanding.

(iv) HKFRS 9 ECL decreased the net asset value of a joint venture of the Company. Hence, the Group's interests in joint ventures decreased.

(v) Investment revaluation reserve relating to debt securities and investment funds, which was previously presented under accumulated other comprehensive income, was transferred to retained profits.

(vi) A joint venture reclassified its financial assets in accordance with HKFRS 9. The amount represented the share of transfer from fair value reserve of financial assets at FVOCI to retained profits.

Notes to the Financial Statements *(continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in Note 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in Note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Results for the periods beginning on or after 1 April 2018 are presented under HKFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis.

The Group and some of its associates and joint ventures are engaged in property development. Certain costs incurred in fulfilling a contract which were previously expensed may need to be capitalised as an asset and will be amortised to match the transfer of the development property to the customer under the contract. The Group has elected to apply HKFRS 15 retrospectively only to uncompleted contracts as at 1 April 2018. Except this change of accounting policy, the adoption of HKFRS 15 has insignificant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Notes to the Financial Statements *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 16, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. During the year, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. At 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases as shown in Note 34(b) amounted to approximately HK$1,680,000, all of which are payable within one year after the reporting date. The Group plans to use the exemptions allowed by the standard on these lease contracts.

Notes to the Financial Statements *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 April 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Interests in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interests in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's interests in associates or joint ventures.

If an interest in an associate becomes an interest in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combinations and goodwill *(continued)*

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGU, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGU) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU (or group of CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

(c) Fair value measurement

The Group measures its investment properties and certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Fair value measurement *(continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties, properties under development and properties held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or CGU's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(e) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. When an item of fixed assets is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of fixed assets are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of fixed assets to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases and buildings	Over the remaining lease terms
Leasehold improvements	Over the unexpired terms of the leases or useful life, whichever is shorter
Furniture, fixtures and equipment	10% to $33\frac{1}{3}$%
Motor vehicles	20% to 25%
Yacht	10%

Where parts of an item of fixed assets have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of fixed assets including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(g) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. When fair value is not reliably determinable for a property under development, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably determinable.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investment properties *(continued)*

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of investment properties are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Fixed assets and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as movements in the other asset revaluation reserve. On disposal of the asset, the relevant portion of the other asset revaluation reserve realised in respect of previous valuations is transferred to the distributable reserves as a movement in reserves.

(h) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in fixed assets.

(i) Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(continued)*

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVOCI (debt instruments)

The Group measures debt investments at FVOCI if both of the following conditions are met:

(i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt investments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(continued)*

Subsequent measurement (continued)

Financial assets designated at FVOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVOCI when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as revenue in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on equity investments classified as financial assets at FVPL are also recognised as revenue in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at FVPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at FVPL are carried in the statement of financial position at fair value with positive net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 April 2018)" below.

Financial assets designated upon initial recognition as at FVPL are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018) *(continued)*

Subsequent measurement (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities, debt securities and investment funds. Equity investments and investment funds classified as available for sale are those which are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the financial assets are derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the financial assets are determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to the statement of profit or loss. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as revenue in accordance with the policies set out for "Revenue recognition (applicable before 1 April 2018)" below.

When the fair value of unlisted equity securities and investment funds cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that financial asset, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities and funds are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

(i) the rights to receive cash flows from the asset have expired; or

(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(l) Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(continued)*

General approach (continued)

For debt investments at FVOCI, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than thirty days past due.

The Group considers a financial asset in default when contractual payments are ninety days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at FVOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) *(continued)*

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include financial liabilities included in creditors, accruals and deposits received and bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVPL (policies under HKFRS 9 applicable from 1 April 2018)

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at FVPL are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at FVPL are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at FVPL (policies under HKAS 39 applicable before 1 April 2018)

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) *(continued)*

Subsequent measurement (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

(o) Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(p) Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(q) Derivative financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and subsequent measurement

When appropriate, the Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Derivative financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) *(continued)*

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows). Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond twelve months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

(r) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value which is determined by reference to prevailing market prices, on an individual property basis.

(s) Properties under development

Properties under development intended for sale are classified as current assets and stated at the lower of cost and net realisable value. Properties being constructed or developed as investment properties are classified as investment properties and accounted for in accordance with the policy stated under "Investment properties". Other properties under development are stated at cost less any impairment losses. Costs comprise the cost of land, development expenditure, other attributable costs and borrowing costs capitalised. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(t) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at banks, demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

(v) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with interests in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with interests in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(w) Revenue recognition (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue recognition (applicable from 1 April 2018) *(continued)*

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sale of properties

Revenue from the sales of properties is recognised at the point in time when control of the properties is transferred to the customers. Deposits received from purchasers prior to revenue recognition are accounted for as deposits received.

(ii) Provision of project management services

Revenue from the provision of project management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(iii) Commission income

Commission income on dealing in securities and commodities is recognised at a point in time on the transaction date when the relevant contract notes are exchanged.

Revenue from other sources

Fixed rental income is recognised on a time proportion basis over the lease terms. The variable portion of the rental income is recognised when the Group's entitlement to relevant payment has been established in accordance with the terms of the agreements.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue recognition (applicable before 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales-related taxes.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following bases:

(i) rental income, on a straight-line basis over the lease terms;

(ii) income from the sale of properties, on the exchange of legally binding unconditional sales contracts or when the relevant completion certificates are issued by the respective government authorities, whichever is later;

(iii) dealings in securities and sale of investments, on the transaction dates when the relevant contract notes are exchanged or the settlement dates when the securities are delivered;

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instruments to the net carrying amount of the financial assets;

(v) dividend income, when the shareholders' right to receive payment has been established;

(vi) commission income, in the period when the relevant services are rendered, unless it is charged to cover the costs of a continuing service to, or risk borne for, customers, or is interest income in nature. In this case, commission income is recognised on a pro-rata basis over the relevant period; and

(vii) investment advisory, management and service fee income, when the services have been rendered.

(y) Employee benefits

Paid leave entitlement

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of each reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward at the end of each reporting period.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Employee benefits *(continued)*

Retirement benefits

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In Hong Kong, the Group operates defined contribution Mandatory Provident Fund retirement benefit schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes except for the Group's employer voluntary contributions forfeited when the employees leave employment prior to fully vesting in such contributions, which can be used to reduce the amount of future employer contributions or to offset against future administration expenses or to refund to the Group, in accordance with the rules of the MPF Schemes.

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made to the central pension scheme based on a percentage of the employees' relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Singapore companies in the Group make contributions to the Central Provident Fund Scheme ("CPF") in Singapore, a defined contribution pension scheme. Contributions to the CPF are recognised as an expense in the statement of profit or loss in the period in which the related service is performed.

(z) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(aa) Dividends and distributions

Final dividends and distributions are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends and distributions are simultaneously proposed and declared because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividends and distributions. Consequently, interim dividends and distributions are recognised immediately as a liability when they are proposed and declared.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ab) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to the Financial Statements *(continued)*

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. The Group may provide ancillary services to the occupants of properties it holds. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property. The property is an investment property only if the ancillary services are insignificant to the arrangement as a whole.

Notes to the Financial Statements *(continued)*

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(i) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(ii) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties as at 31 March 2019 was HK$140,112,000 (2018 — HK$122,328,000). Further details are disclosed in Note 16 to the financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

After application of the equity method, the Group assesses whether there is any objective evidence of impairment for the interests in joint ventures. The interests in joint ventures are tested for impairment when there is objective evidence of impairment. The carrying amount of interests in joint ventures as at 31 March 2019 amounted to HK$10,533,021,000 (2018 — HK$10,631,431,000). Further details are disclosed in Note 18 to the financial statements.

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

(a) the property investment segment includes investments relating to letting and resale of properties;

(b) the property development segment includes development and sale of properties;

(c) the treasury investment segment includes investments in money markets;

(d) the securities investment segment includes investments in securities held-for-trading and for long-term strategic purpose;

(e) the banking business segment engages in the provision of commercial and retail banking services; and

(f) the "other" segment comprises principally money lending and the provision of project management services.

The corporate finance and securities broking segment which provides securities and futures brokerage, investment banking, underwriting and other related advisory services was classified as discontinued operation during the current year (Note 12).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss) and comprises segment results of the Company and its subsidiaries, the Group's share of results of associates and joint ventures.

Segment results are measured consistently with the Group's profit/(loss) before tax except that the Group's share of results of associates and joint ventures, unallocated corporate expenses and certain finance costs are excluded from such measurement.

Segment assets exclude interests in associates and joint ventures, deferred tax assets, tax recoverable and other head office and corporate assets which are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other head office and corporate liabilities which are managed on a group basis.

Inter-segment transactions are on an arm's length basis in a manner similar to transactions with third parties.

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

Year ended 31 March 2019

	Continuing operations								Discontinued operation		
	Property investment HK$'000	Property development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Banking business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000	Corporate finance and securities broking HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue											
External	58,959	6,083	4,062	574	–	1,477	–	71,155	11,504	–	82,659
Inter-segment	–	–	–	–	–	–	–	–	73	(73)	–
Total	58,959	6,083	4,062	574	–	1,477	–	71,155	11,577	(73)	82,659
Segment results	42,218	1,651	4,062	1,002	261	(2,593)	73	46,674	145,750	(73)	192,351
Unallocated corporate expenses								(84,462)			(84,462)
Share of results of associates	–	5,782	–	–	–	(32)	–	5,750	–	–	5,750
Share of results of joint ventures	(111,827)	2,852	–	–	7,681	–	–	(101,294)	–	–	(101,294)
Profit/(Loss) before tax								(133,332)			12,345
Segment assets	178,318	110,883	476,879	19,416	49,087	8,377	–	842,960	–	–	842,960
Interests in associates	6,476	367,761	–	–	–	58	–	374,295	–	–	374,295
Interests in joint ventures	10,397,143	1,671	–	–	134,207	–	–	10,533,021	–	–	10,533,021
Unallocated assets								36,090	–	–	36,090
Total assets								11,786,366	–	–	11,786,366
Segment liabilities	744,915	7,456	–	82	–	148	–	752,601	–	–	752,601
Unallocated liabilities								89,547	–	–	89,547
Total liabilities								842,148	–	–	842,148
Other segment information:											
Capital expenditure *(Note)*	20,785	–	–	–	–	–	–	20,785	3	–	20,788
Depreciation	(449)	(11)	–	–	–	(27)	–	(487)	(50)	–	(537)
Interest income	52,283	–	4,062	–	–	282	–	56,627	–	–	56,627
Finance costs	(17,338)	–	–	–	–	–	–	(17,338)	–	–	(17,338)
Gain on disposal of subsidiaries	–	–	–	–	–	–	–	–	153,255	–	153,255
Write-back of provisions/(Provisions) for impairment losses on:											
Fixed assets	(1,782)	–	–	–	–	–	–	(1,782)	–	–	(1,782)
Properties under development	–	(138)	–	–	–	–	–	(138)	–	–	(138)
Properties held for sale	196	–	–	–	–	–	–	196	–	–	196
Loans and receivables	–	–	–	–	–	(3,332)	–	(3,332)	(238)	–	(3,570)
Realised translation gains reclassified to the statement of profit or loss relating to liquidation of foreign operations	–	2,093	–	–	–	548	–	2,641	–	–	2,641
Net fair value gain on financial instruments at fair value through profit or loss	–	–	–	755	261	–	–	1,016	–	–	1,016
Fair value gain on investment properties	6,032	–	–	–	–	–	–	6,032	–	–	6,032
Unallocated:											
Capital expenditure *(Note)*								10			10
Depreciation								(6,002)			(6,002)

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

Year ended 31 March 2018 (restated)

	Continuing operations								Discontinued operation		
	Property investment HK$'000	Property development HK$'000	Treasury investment HK$'000	Securities investment HK$'000	Banking business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000	Corporate finance and securities broking HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue											
External	58,570	40,345	1,556	15	–	658	–	101,144	17,388	–	118,532
Inter-segment	–	–	–	–	–	–	–	–	1	(1)	–
Total	58,570	40,345	1,556	15	–	658	–	101,144	17,389	(1)	118,532
Segment results	44,530	24,098	1,556	(414)	141,294	(6,960)	1	204,105	(11,133)	(1)	192,971
Unallocated corporate expenses								(46,008)			(46,008)
Share of results of associates	–	5,821	–	–	–	(31)	–	5,790	–	–	5,790
Share of results of joint ventures	158,538	(46)	–	–	18,759	–	–	177,251	–	–	177,251
Profit before tax								341,138			330,004
Segment assets	162,561	127,472	505,073	10,693	48,826	11,193	–	865,818	327,951	–	1,193,769
Interests in associates	7,101	373,914	–	–	–	44	–	381,059	–	–	381,059
Interests in joint ventures	10,522,724	1,762	–	–	106,945	–	–	10,631,431	–	–	10,631,431
Unallocated assets								52,145	–	–	52,145
Total assets								11,930,453	327,951	–	12,258,404
Segment liabilities	485,858	15,544	–	–	–	50	–	501,452	439,695	–	941,147
Unallocated liabilities								86,245	–	–	86,245
Total liabilities								587,697	439,695	–	1,027,392
Other segment information:											
Capital expenditure *(Note)*	8	–	–	–	–	–	–	8	146	–	154
Depreciation	(81)	(34)	–	–	–	(27)	–	(142)	(134)	–	(276)
Interest income	51,985	–	1,556	–	–	326	–	53,867	–	–	53,867
Finance costs	(13,530)	–	–	–	–	–	–	(13,530)	(27)	–	(13,557)
Gain on disposal of interests in a joint venture	–	–	–	–	113,905	–	–	113,905	–	–	113,905
Write-back of provisions/(Provisions) for impairment losses on:											
A joint venture	–	465	–	–	–	–	–	465	–	–	465
Properties under development	–	(143)	–	–	–	–	–	(143)	–	–	(143)
Properties held for sale	195	–	–	–	–	–	–	195	–	–	195
Loans and receivables	–	–	–	–	–	(771)	–	(771)	(154)	–	(925)
Realised translation losses reclassified to the statement of profit or loss relating to liquidation of foreign operations	–	(1,140)	–	–	–	–	–	(1,140)	–	–	(1,140)
Net fair value gain/(loss) on financial instruments at fair value through profit or loss	–	–	–	(254)	27,389	–	–	27,135	–	–	27,135
Fair value gain on investment properties	3,035	–	–	–	–	–	–	3,035	–	–	3,035
Unallocated:											
Capital expenditure *(Note)*								576			576
Depreciation								(5,851)			(5,851)

Note: Capital expenditure includes additions to fixed assets.

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2019 HK$'000	2018 HK$'000
Hong Kong	**3,317**	543
Macau	**5,908**	30,918
Mainland China	**5,773**	14,374
Republic of Singapore	**53,180**	52,073
Other	**2,977**	3,236
Revenue from continuing operations	**71,155**	101,144
Revenue from discontinued operation — Hong Kong	**11,504**	17,388
	82,659	118,532

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
Hong Kong	**673**	1,328
Macau	**134,207**	106,945
Mainland China	**81,694**	84,987
Republic of Singapore	**10,673,927**	10,934,621
Indonesia	**139,538**	–
Other	**49,875**	45,607
	11,079,914	11,173,488

The non-current assets information above is based on the locations of the assets and excludes financial instruments.

Information about a major customer

For the year ended 31 March 2019, revenue of approximately HK$52,122,000 (2018 — HK$51,985,000) was derived from interest income from a single customer in the property investment segment.

Notes to the Financial Statements *(continued)*

5. REVENUE

An analysis of revenue from continuing operations is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers:	**6,533**	–
Sale of properties	**–**	40,345
Revenue from other sources:		
Property rental income	**6,676**	6,585
Interest income	**56,627**	53,867
Dividend income	**574**	15
Other	**745**	332
	71,155	101,144

Revenue from contracts with customers

(a) Disaggregated revenue information

Year ended 31 March 2019

Segments	Property development HK$'000	Other HK$'000	Total HK$'000
Type of goods or services:			
Sale of properties	**6,083**	**–**	**6,083**
Provision of project management services	**–**	**450**	**450**
Total revenue from contracts with customers	**6,083**	**450**	**6,533**
Geographical markets:			
Macau	**5,906**	**–**	**5,906**
Mainland China	**177**	**–**	**177**
Republic of Singapore	**–**	**450**	**450**
Total revenue from contracts with customers	**6,083**	**450**	**6,533**
Timing of revenue recognition:			
Goods transferred at a point in time	**6,083**	**–**	**6,083**
Services transferred over time	**–**	**450**	**450**
Total revenue from contracts with customers	**6,083**	**450**	**6,533**

Notes to the Financial Statements *(continued)*

5. REVENUE *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information *(continued)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Year ended 31 March 2019

Segments	Property development HK$'000	Other HK$'000	Total HK$'000
Revenue from contracts with external customers	6,083	450	6,533
Revenue from other sources — external	–	1,027	1,027
Total segment revenue	6,083	1,477	7,560

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

(i) Sale of properties

Revenue from the sale of properties is recognised at a point in time when control of the properties is transferred to the customers. Deposits received from purchasers prior to revenue recognition are accounted for as deposits received.

(ii) Provision of project management services

The performance obligation is satisfied over time as services are rendered. Accordingly, the project management fee income is recognised as the service is performed over time.

Notes to the Financial Statements *(continued)*

6. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

Profit/(Loss) before tax from continuing operations is arrived at after crediting/(charging):

	2019 HK$'000	2018 HK$'000
Net fair value gain/(loss) on financial instruments at fair value through profit or loss:		
Held for trading financial assets at fair value through profit or loss:		
Equity securities	**1,239**	(62)
Investment funds	**(551)**	(192)
Other financial assets mandatorily classified at fair value through profit or loss:		
Debt securities	**60**	–
Investment funds	**7**	–
Derivative financial instrument	**261**	27,389
	1,016	27,135
Cost of sales:		
Cost of properties sold	**(849)**	(6,325)
Other	**(2,040)**	(1,691)
	(2,889)	(8,016)
Employee benefit expense *(Note (a))*:		
Wages and salaries	**(26,859)**	(27,106)
Retirement benefit costs *(Note (b))*	**(787)**	(1,009)
Total staff costs	**(27,646)**	(28,115)
Interest income:		
Loans and advances	**52,565**	52,311
Other	**4,062**	1,556
Write-back of provisions/(Provisions) for impairment losses on *(Note (c))*:		
Fixed assets	**(1,782)**	–
A joint venture	**–**	465
Properties under development	**(138)**	(143)
Properties held for sale	**196**	195
Loans and receivables	**(3,332)**	(771)
Depreciation	**(6,489)**	(5,993)
Auditor's remuneration	**(4,844)**	(4,278)
Minimum lease payments under operating leases	**(3,472)**	(7,404)
Direct operating expenses arising on rental-earning investment properties	**(2,040)**	(1,691)
Legal and professional fees *(Note (c))*	**(6,742)**	(8,400)
Consultancy and service fees *(Note (c))*	**(19,557)**	(8,472)
Donations *(Note (c))*	**(5,882)**	–
Foreign exchange gains/(losses) — net *(Note (c))*	**(11,811)**	13,819
Realised translation gains/(losses) reclassified to the statement of profit or loss relating to liquidation of foreign operations *(Note (c))*	**2,641**	(1,140)

Note:

(a) The amounts include Directors' emoluments disclosed in Note 7 to the financial statements.

(b) The Group had no forfeited voluntary contributions available to offset future employer contributions against the pension schemes at the year end.

(c) The amounts are included in "Other operating expenses" in the consolidated statement of profit or loss.

Notes to the Financial Statements *(continued)*

7. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2019 HK$'000	2018 HK$'000
Directors' fees	**2,196**	2,073
Basic salaries, allowances and benefits in kind	**2,254**	1,669
Retirement benefit costs	**36**	36
	4,486	3,778

The emoluments paid to each of the Directors during the year ended 31 March 2019 are as follows:

2019	**Directors' fees HK$'000**	**Basic salaries, allowances and benefits in kind HK$'000**	**Retirement benefit costs HK$'000**	**Total HK$'000**
Executive directors:				
Stephen Riady	**239**	**1,085**	**18**	**1,342**
John Luen Wai Lee	**269**	**1,169**	**18**	**1,456**
	508	**2,254**	**36**	**2,798**
Non-executive director:				
Leon Nim Leung Chan	**424**	**–**	**–**	**424**
Independent non-executive directors:				
Victor Ha Kuk Yung	**394**	**–**	**–**	**394**
King Fai Tsui	**476**	**–**	**–**	**476**
Edwin Neo *(Note (a))*	**394**	**–**	**–**	**394**
	1,264	**–**	**–**	**1,264**
	2,196	**2,254**	**36**	**4,486**

Notes to the Financial Statements *(continued)*

7. DIRECTORS' EMOLUMENTS *(continued)*

The emoluments paid to each of the Directors during the year ended 31 March 2018 are as follows:

2018	Directors' fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors:				
Stephen Riady	230	1,085	18	1,333
John Luen Wai Lee	260	584	18	862
	490	1,669	36	2,195
Non-executive director:				
Leon Nim Leung Chan	412	–	–	412
Independent non-executive directors:				
Albert Saychuan Cheok *(Note (b))*	286	–	–	286
Victor Ha Kuk Yung	382	–	–	382
King Fai Tsui	408	–	–	408
Edwin Neo *(Note (a))*	95	–	–	95
	1,171	–	–	1,171
	2,073	1,669	36	3,778

Note:

(a) Edwin Neo was appointed as an independent non-executive director of the Company on 1 January 2018.

(b) Albert Saychuan Cheok resigned as an independent non-executive director of the Company with effect from midnight on 31 December 2017.

There were no arrangements under which a Director waived or agreed to waive any emoluments during the year.

During the year, no share options were granted to the Directors.

Notes to the Financial Statements *(continued)*

8. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid employees during the current and prior years did not include any Director. Details of the emoluments of the five (2018 — five) non-director, highest paid employees for the year are as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries, allowances and benefits in kind	**6,407**	5,840
Discretionary bonuses paid and payable	**6,586**	6,020
Retirement benefit costs	**192**	181
	13,185	12,041

The number of non-director, highest paid employees whose emoluments fell within the following bands is as follows:

Emoluments bands (HK$):	2019 Number of employees	2018 Number of employees
1,500,001 — 2,000,000	**1**	2
2,000,001 — 2,500,000	**2**	1
2,500,001 — 3,000,000	**–**	1
3,000,001 — 3,500,000	**1**	–
3,500,001 — 4,000,000	**1**	1
	5	5

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank and other borrowings	**17,338**	13,530

Notes to the Financial Statements *(continued)*

10. SHARE OF RESULTS OF JOINT VENTURES

Lippo ASM Asia Property Limited ("LAAPL") is a material joint venture of the Group, further details are given in Note 18 to the financial statements. For the year ended 31 March 2019, the Group's share of loss in LAAPL amounted to approximately HK$111,741,000 (2018 — share of profit of HK$158,538,000). The change was mainly attributable to an unrealised exchange loss on translation of the financial liabilities, a decrease of fair value gain on investment properties, impairment loss on intangible assets and loss on disposal of interests in equity-accounted investees.

11. INCOME TAX

	2019 HK$'000	2018 HK$'000
Hong Kong:		
Charge for the year	**24**	–
Overseas:		
Charge for the year	**1,506**	10,355
Overprovision in prior years	**–**	(70)
Deferred *(Note 28)*:		
Current year	**820**	(5,285)
Effect of change in tax rate	**–**	(1,039)
	2,326	3,961
Total charge for the year from continuing operations	**2,350**	3,961

Hong Kong profits tax has been provided at the rate of 8.25% or 16.5%, as appropriate (2018 — 16.5%) on the estimated assessable profits arising in Hong Kong during the year. For the companies operating in mainland China, Republic of Singapore and Macau, corporate taxes have been calculated on the estimated assessable profits for the year at the rates of 25%, 17% and 12% (2018 — 25%, 17% and 12%), respectively. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Notes to the Financial Statements *(continued)*

11. INCOME TAX *(continued)*

A reconciliation of the tax charge applicable to profit/(loss) before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2019 HK$'000	2018 HK$'000 (Restated)
Profit/(Loss) before tax from continuing operations	**(133,332)**	341,138
Profit/(Loss) before tax from discontinued operation	**145,677**	(11,134)
	12,345	330,004
Tax at the statutory tax rate of 16.5% (2018 — 16.5%)	**2,037**	54,450
Effect of different tax rates in other jurisdictions	**158**	(1,386)
Adjustments in respect of current tax of previous years	**–**	(70)
Effect of change in tax rate in other jurisdiction	**–**	(1,039)
Losses/(Profits) attributable to joint ventures and associates	**15,765**	(30,202)
Income not subject to tax	**(28,653)**	(24,530)
Expenses not deductible for tax	**10,894**	5,126
Effect of partial tax exemption and tax relief	**(68)**	–
Effect of withholding tax on the distributable profits of the Group's subsidiary in mainland China	**(634)**	(128)
Tax losses utilised from previous years	**–**	(2,609)
Tax losses not recognised	**2,826**	3,781
Land appreciation tax	**33**	757
Tax effect of land appreciation tax	**(8)**	(189)
Tax charge from continuing operations at the Group's effective rate	**2,350**	3,961

The share of tax charge attributable to an associate and joint ventures amounting to HK$1,022,000 (2018 — HK$448,000) and HK$162,407,000 (2018 — HK$107,797,000), respectively, is included in "Share of results of associates" and "Share of results of joint ventures" on the face of the consolidated statement of profit or loss.

Notes to the Financial Statements *(continued)*

12. DISCONTINUED OPERATION

In July 2018, the Group entered into a sale and purchase agreement for the sale of the entire issued shares in Lippo Securities Holdings Limited ("LSH", the wholly-owned securities arm of the Company). The disposal was completed on 11 December 2018 and the Group has ceased the corporate finance and securities broking business.

The results of LSH and its subsidiaries (the "LSH Group") included in the Group's consolidated statement of profit or loss as a discontinued operation are presented below:

	Note	**2019 HK$'000**	2018 HK$'000
Revenue *(Note)*		**11,504**	17,388
Cost of sales		**(5,305)**	(8,041)
Gross profit		**6,199**	9,347
Administrative expenses		**(10,859)**	(14,273)
Other operating expenses		**(2,918)**	(6,181)
Finance costs		**–**	(27)
Loss before tax		**(7,578)**	(11,134)
Income tax		**–**	–
Loss after tax of discontinued operation		**(7,578)**	(11,134)
Gain on disposal of discontinued operation		**153,255**	–
Profit/(Loss) for the year from discontinued operation		**145,677**	(11,134)
Other comprehensive income/(loss)			
Exchange differences on translation of discontinued operation		**(424)**	2,076
Release of cumulative exchange differences on translation of discontinued operation upon disposal		**(2,708)**	–
Other comprehensive income/(loss) from discontinued operation		**(3,132)**	2,076
Total comprehensive income/(loss) for the year from discontinued operation		**142,545**	(9,058)
		HK cents	HK cents
Earnings/(Loss) per share attributable to equity holders of the Company	13		
Basic and diluted			
– For profit/(loss) from discontinued operation		**7.3**	(0.5)

Note: Revenue represents income from securities and futures brokerage, investment banking, underwriting and other related advisory services under corporate finance and securities broking segment. The revenue is recognised at a point in time when the services are rendered and generated from customers located in Hong Kong.

Notes to the Financial Statements *(continued)*

12. DISCONTINUED OPERATION *(continued)*

The net cash flows incurred by the LSH Group are as follows:

	2019 HK$'000	2018 HK$'000
Operating activities	**56,945**	(13,889)
Investing activities	**(3)**	(146)
Financing activities	**(5)**	(27)
Net cash inflow/(outflow)	**56,937**	(14,062)

The net assets of the LSH Group disposed of were as follows:

	2019 HK$'000
Net assets disposed of:	
Fixed assets	**88**
Loans and advances	**7,861**
Debtors, prepayments and deposits	**14,451**
Client trust bank balances	**217,350**
Restricted cash	**1,010**
Cash and cash equivalents	**182,751**
Creditors, accruals and deposits received	**(226,481)**
	197,030
Release of cumulative exchange differences on translation of foreign operations	**(2,708)**
	194,322
Gain on disposal of subsidiaries	**153,255**
	347,577
Satisfied by:	
Cash	**347,577**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019 HK$'000
Cash consideration	**347,577**
Cash and cash equivalents disposed of	**(182,751)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**164,826**

Notes to the Financial Statements *(continued)*

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated profit/(loss) for the year attributable to equity holders of the Company; and (ii) the weighted average number of approximately 1,998,280,000 ordinary shares (2018 — approximately 1,998,280,000 ordinary shares) in issue during the year.

	2019 HK$'000	2018 HK$'000
Consolidated profit/(loss) attributable to equity holders of the Company:		
From continuing operations	**(134,859)**	337,974
From discontinued operation	**145,677**	(11,134)
	10,818	326,840

(b) Diluted earnings/(loss) per share

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2019 and 2018.

14. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Interim dividend, declared, of HK1 cent (2018 — HK1 cent) per ordinary share	**19,983**	19,983
Final dividend, proposed, of HK1 cent (2018 — HK1 cent) per ordinary share	**19,983**	19,983
	39,966	39,966

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Notes to the Financial Statements *(continued)*

15. FIXED ASSETS

	Leasehold land and building HK$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK$'000	Yacht HK$'000	Total HK$'000
2019				
At 31 March 2018 and at 1 April 2018				
Cost	**–**	**21,636**	**55,485**	**77,121**
Accumulated depreciation	**–**	**(18,543)**	**(19,908)**	**(38,451)**
Net carrying amount	**–**	**3,093**	**35,577**	**38,670**
At 1 April 2018, net of accumulated depreciation	**–**	**3,093**	**35,577**	**38,670**
Additions during the year	**19,483**	**1,315**	**–**	**20,798**
Disposals during the year	**–**	**(14)**	**–**	**(14)**
Disposal of subsidiaries *(Note 12)*	**–**	**(88)**	**–**	**(88)**
Depreciation provided for the year	**(324)**	**(860)**	**(5,355)**	**(6,539)**
Impairment during the year	**(1,782)**	**–**	**–**	**(1,782)**
Reclassification to investment properties *(Note 16)*	**(17,371)**	**–**	**–**	**(17,371)**
Exchange adjustments	**(6)**	**(29)**	**(1,153)**	**(1,188)**
At 31 March 2019, net of accumulated depreciation	**–**	**3,417**	**29,069**	**32,486**
At 31 March 2019				
Cost	**–**	**17,014**	**53,711**	**70,725**
Accumulated depreciation	**–**	**(13,597)**	**(24,642)**	**(38,239)**
Net carrying amount	**–**	**3,417**	**29,069**	**32,486**
2018				
At 1 April 2017				
Cost	–	31,202	51,545	82,747
Accumulated depreciation	–	(28,110)	(13,340)	(41,450)
Net carrying amount	–	3,092	38,205	41,297
At 1 April 2017, net of accumulated depreciation	–	3,092	38,205	41,297
Additions during the year	–	730	–	730
Disposals during the year	–	(12)	–	(12)
Depreciation provided for the year	–	(786)	(5,341)	(6,127)
Exchange adjustments	–	69	2,713	2,782
At 31 March 2018, net of accumulated depreciation	–	3,093	35,577	38,670
At 31 March 2018				
Cost	–	21,636	55,485	77,121
Accumulated depreciation	–	(18,543)	(19,908)	(38,451)
Net carrying amount	–	3,093	35,577	38,670

Notes to the Financial Statements *(continued)*

16. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
Carrying amount at beginning of year	**122,328**	111,160
Reclassification from fixed assets *(Note 15)*	**17,371**	–
Fair value adjustments	**6,032**	3,035
Exchange adjustments	**(5,619)**	8,133
Carrying amount at end of year	**140,112**	122,328

The Group engages external, independent and professionally qualified valuers to determine the fair value of the Group's investment properties for financial reporting purposes. The Group's management has reviewed the valuation results by verifying the major inputs and assumptions made by the independent valuers and assessing the reasonableness of property valuation.

Based on professional valuations as at 31 March 2019 made by Asian Appraisal Company, Inc., CBRE, Inc., RHL Appraisal Limited and Savills Valuation And Professional Services (S) Pte Ltd, independent qualified valuers, the investment properties were revalued on an open market, existing use basis at HK$140,112,000 (2018 — HK$122,328,000).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
At 31 March 2019				
Recurring fair value measurement for:				
Completed investment properties in:				
Mainland China	**–**	**–**	**81,606**	**81,606**
Republic of Singapore	**–**	**–**	**17,371**	**17,371**
Overseas	**–**	**–**	**41,135**	**41,135**
	–	**–**	**140,112**	**140,112**
At 31 March 2018				
Recurring fair value measurement for:				
Completed investment properties in:				
Mainland China	–	–	84,867	84,867
Overseas	–	–	37,461	37,461
	–	–	122,328	122,328

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018 — Nil).

Notes to the Financial Statements *(continued)*

16. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and key inputs to the valuation of investment properties:

Class of property	Valuation techniques	Significant unobservable inputs	Range
Completed investment properties in:			
Mainland China	Market approach	Price per square metre	HK$12,000 to HK$16,500 (2018 — HK$14,000 to HK$15,500)
Republic of Singapore	Market approach	Price per square metre	HK$162,000 to HK$179,000 (2018 — N/A)
Overseas	Market approach	Price per square metre	HK$36,500 to HK$51,000 (2018 — HK$23,500 to HK$51,000)
	Income approach	Rental per square metre per month	HK$82 to HK$4,000 (2018 — HK$118 to HK$4,000)
		Capitalisation rate	4.7% to 8.7% (2018 — 5.0% to 8.7%)

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by referring to comparable sales transactions as available in the market. The key input was the market price per square metre. A significant increase/decrease in the market price would result in a significant increase/decrease in the fair value of the investment properties.

Under the income approach, fair value is estimated on the basis of capitalisation of the net income and has allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential. The key inputs were the market rent and the capitalisation rate. A significant increase/decrease in the market rent in isolation would result in a significant increase/decrease in the fair value of the investment properties and a significant increase/decrease in the capitalisation rate in isolation would result in a significant decrease/increase in the fair value of the investment properties.

Notes to the Financial Statements *(continued)*

17. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Share of net assets	**363,514**	369,698
Due from associates	**29,978**	30,558
	393,492	400,256
Provisions for impairment losses	**(19,197)**	(19,197)
	374,295	381,059

The balances with the associates are unsecured, interest-free and repayable on demand. In the opinion of the Directors, these balances are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the associates.

During the year, the Directors reviewed the carrying amount of the associates with reference to their business performances prepared by the investees' management. No impairment loss (2018 — Nil) has been charged to the consolidated statement of profit or loss for the year.

Details of the principal associates are set out on page 155.

Greenix Limited and its subsidiaries, which are considered material associates of the Group, are engaged in property development in Singapore and are accounted for using the equity method.

The following table illustrates the summarised consolidated financial information of Greenix Limited, adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2019 HK$'000	2018 HK$'000
Current assets	**835,053**	847,610
Current liabilities	**(99,532)**	(99,783)
Net assets	**735,521**	747,827
Reconciliation to the Group's interest in the associate:		
Group's share of net assets of the associate and carrying amount of the investment	**367,761**	373,914
Revenue for the year	**71,177**	123,683
Profit and total comprehensive income for the year	**11,564**	11,643
Dividend received	**–**	53,298

Notes to the Financial Statements *(continued)*

17. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019 HK$'000	2018 HK$'000
Share of the associates' loss and total comprehensive loss for the year	**(32)**	(31)
Aggregate carrying amount of the Group's interests in the associates	**6,534**	7,145

18. INTERESTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Share of net assets	**7,952,993**	8,158,658
Due from joint ventures	**2,591,380**	2,484,125
	10,544,373	10,642,783
Provisions for impairment losses	**(11,352)**	(11,352)
	10,533,021	10,631,431

As at 31 March 2019, the amounts due from joint ventures included balances of HK$2,440,301,000 (2018 — HK$2,466,880,000), which are unsecured, bear interest at rates ranging from nil to 2.25% per annum (2018 — nil to 2.25% per annum) and are repayable on demand. The balance also included a loan of HK$138,970,000 (2018 — Nil), which is unsecured, bears interest at 7% per annum and is repayable when the resources of the joint venture permit. The remaining balances with the joint ventures are unsecured, interest-free and repayable on demand. In the opinion of the Directors, these balances are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

As at 31 March 2018, the Group's trade payable balance with a joint venture is disclosed in Note 27 to the financial statements.

Details of the principal joint ventures are set out on page 156.

LAAPL is considered a material joint venture of the Group and is accounted for using the equity method. LAAPL is a joint venture set up to hold the controlling stake in OUE Limited ("OUE", together with its subsidiaries the "OUE Group"), a listed company in Singapore. OUE is principally engaged in developing and managing assets across the commercial, hospitality, retail, residential and healthcare sectors. Certain bank facilities under LAAPL were secured by certain listed shares held under it. The Directors assessed whether there is any indication that the carrying amount of interest in the joint venture may be impaired and the recoverable amount of the joint venture is estimated based on a value in use calculation. The Directors considered no impairment loss was necessary for the year ended 31 March 2019 (2018 — Nil).

Notes to the Financial Statements *(continued)*

18. INTERESTS IN JOINT VENTURES *(continued)*

The following table illustrates the summarised consolidated financial information of LAAPL, adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2019 HK$'000	2018 HK$'000
Non-current assets	**50,767,032**	50,885,943
Cash and cash equivalents	**2,898,126**	2,434,147
Other current assets	**6,178,188**	7,207,503
Current assets	**9,076,314**	9,641,650
Financial liabilities, excluding trade and other payables	**(5,865,954)**	(11,842,827)
Other current liabilities	**(2,129,621)**	(2,446,167)
Current liabilities	**(7,995,575)**	(14,288,994)
Non-current financial liabilities, excluding trade and other payables and provisions	**(24,928,839)**	(19,885,637)
Other non-current liabilities	**(1,281,898)**	(1,592,717)
Non-current liabilities	**(26,210,737)**	(21,478,354)
Net assets	**25,637,034**	24,760,245
Reconciliation to the Group's interest in the joint venture:		
Net assets	**25,637,034**	24,760,245
Less: Non-controlling interests	**(17,345,127)**	(16,215,320)
Net assets attributable to equity holders of the joint venture	**8,291,907**	8,544,925
Group's share of net assets of the joint venture	**7,817,304**	8,055,844
Due from the joint venture	**2,440,301**	2,466,880
Carrying amount of the investment	**10,257,605**	10,522,724
Revenue	**3,894,491**	4,230,921
Interest income	**44,779**	45,365
Depreciation and amortisation	**(168,869)**	(182,956)
Interest expenses	**(988,516)**	(981,277)
Tax	**(270,247)**	(178,461)
Profit/(Loss) for the year attributable to equity holders of the joint venture	**(118,548)**	168,195
Other comprehensive income/(loss) for the year attributable to equity holders of the joint venture	**(194,742)**	789,695
Total comprehensive income/(loss) for the year attributable to equity holders of the joint venture	**(313,290)**	957,890

Notes to the Financial Statements *(continued)*

18. INTERESTS IN JOINT VENTURES *(continued)*

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019 **HK$'000**	2018 HK$'000
Share of the joint ventures' profit for the year	**10,447**	18,713
Share of the joint ventures' other comprehensive loss for the year	**(83)**	(280)
Share of the joint ventures' total comprehensive income for the year	**10,364**	18,433
Aggregate carrying amount of the Group's interests in the joint ventures	**275,416**	108,707

As at 31 March 2019, the Group's share of joint ventures' own capital commitment amounted to HK$107,645,000 (2018 — HK$110,010,000).

Under the terms of Macau banking legislation, The Macau Chinese Bank Limited ("MCB", a joint venture of the Company) is required to transfer to a legal reserve an amount equal to a minimum of 20% of its annual profit after tax until the amount of the reserve is equal to 50% of its issued and fully paid up share capital. Thereafter, transfers must continue at a minimum annual rate of 10% of its annual profit after tax until the reserve is equal to MCB's issued and fully paid up share capital. This reserve is only distributable in accordance with certain limited circumstances prescribed by statute. As at 31 March 2019, the balance of interests in joint ventures included the share of such legal reserve of HK$6,620,000 (2018 — HK$5,059,000). Besides, in order to comply with the requirements of the Monetary Authority of Macao ("AMCM") to maintain impairment allowances in excess of MCB's collective impairment allowances, a portion of the retained profits is earmarked as a regulatory reserve, which is not distributable to MCB's shareholders under the AMCM's requirements. As at 31 March 2019, the balance of interests in joint ventures did not contain the share of such regulatory reserve (2018 — HK$4,953,000).

As at 31 March 2019, the Group's share of contingent liabilities relating to MCB amounted to HK$47,937,000 (2018 — HK$21,176,000), comprising share of guarantees and other endorsements of HK$47,727,000 (2018 — HK$16,124,000) and share of liabilities under letters of credit on behalf of customers of HK$210,000 (2018 — HK$5,052,000).

Notes to the Financial Statements *(continued)*

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2019 HK$'000	2018 HK$'000
Financial assets at fair value through other comprehensive income		
Equity securities	**18**	–
Available-for-sale financial assets		
Financial assets stated at fair value:		
Equity securities	**–**	24
Debt securities	**–**	2,880
Investment funds	**–**	271
	–	3,175
Financial assets stated at cost:		
Equity securities	**–**	64,000
Provisions for impairment losses	**–**	(64,000)
	–	–
	–	3,175

The Group has designated certain equity securities as financial assets at fair value through other comprehensive income at 1 April 2018 as the Group considers these equity securities to be strategic in nature.

As at 31 March 2018, the available-for-sale financial assets consisted of investments in equity securities and investment funds which had no fixed maturity date or coupon rate and the debt securities which were non-interest bearing. Certain available-for-sale financial assets issued by private entities were measured at cost less impairment as at 31 March 2018 because the range of reasonable fair value estimates was so significant that the Directors were of the opinion that their fair values could not be measured reliably.

During the year ended 31 March 2018, the gross gain in respect of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK$543,000.

During the year ended 31 March 2018, the Directors reviewed the carrying amount of available-for-sale financial assets with reference to their business performances prepared by the investees' management. No impairment loss has been charged to the consolidated statement of profit or loss for the year ended 31 March 2018.

Notes to the Financial Statements *(continued)*

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Held for trading:		
Equity securities	**12,428**	286
Investment funds	**3,894**	7,232
	16,322	7,518
Other financial assets mandatorily classified at fair value through profit or loss:		
Debt securities	**2,940**	–
Investment funds	**136**	–
	3,076	–
	19,398	7,518
Analysed for reporting purpose as:		
Current assets	**16,458**	7,518
Non-current assets	**2,940**	–
	19,398	7,518

21. OTHER FINANCIAL ASSET

	2019 HK$'000	2018 HK$'000
Put Option *(Note)*	**49,087**	48,826

Note: Pursuant to the amended and restated shareholders agreement for the joint arrangement for investment in MCB, the Group has a put option to sell its remaining 20% interest to the majority shareholder of MCB at any time during the 5 years from 3 November 2017 (the "Put Option"). The right to exercise the Put Option survives any termination or expiry of the shareholders agreement.

Notes to the Financial Statements *(continued)*

22. PROPERTIES UNDER DEVELOPMENT

	2019 HK$'000	2018 HK$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	**42,547**	40,026
Additions during the year	**213**	200
Exchange adjustments	**(1,513)**	2,321
Balance at end of year	**41,247**	42,547
Provisions for impairment losses:		
Balance at beginning of year	**(11,967)**	(11,180)
Impairment during the year	**(138)**	(143)
Exchange adjustments	**424**	(644)
Balance at end of year	**(11,681)**	(11,967)
	29,566	30,580

The properties under development are expected to be recovered in more than twelve months after the end of the reporting period.

23. LOANS AND ADVANCES

The loans and advances to customers of the Group bear interest at a rate of 3.0% per annum (2018 — rates ranging from 1.7% to 8.0% per annum). Certain loans and advances are secured by client's assets being held as collateral with a carrying amount of HK$34,679,000 (2018 — HK$124,755,000).

The movements in the loss allowance for impairment of loans and advances are as follows:

	2019 HK$'000	2018 HK$'000
Balance at beginning of year	**978**	206
Impairment losses recognised	**–**	772
Disposal of subsidiaries	**(207)**	–
Balance at end of year	**771**	978

Impairment under HKFRS 9 for the year ended 31 March 2019

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate, general economic conditions forecasts and forward-looking information that is available without undue cost or effort. Loss allowance as at 1 April 2018 represented lifetime ECLs made for credit-impaired balances. Except for such credit-impaired balances, loans and advances are secured by client's asset being held as collateral with no significant changes in the quality of the collateral. Loss allowance for such loans and advances is considered as minimal.

Notes to the Financial Statements *(continued)*

23. LOANS AND ADVANCES *(continued)*

Impairment under HKAS 39 for the year ended 31 March 2018

Impairment was measured based on incurred credit losses under HKAS 39 as at 31 March 2018. The overdue or impaired balances related to securities broking and money lending businesses. Except for the overdue or impaired balances, the balances were neither overdue nor impaired and are related to a range of customers for whom there was no recent history of default.

24. DEBTORS, PREPAYMENTS AND DEPOSITS

Trade debtors balance as at 31 March 2018 was attributable to the LSH Group, which was disposed of in December 2018. Trading terms with customers were either on a cash basis or on credit. For those customers who trade on credit, a credit period was allowed according to relevant business practice. Credit limits were set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances were regularly reviewed by senior management.

Included in the balances are trade debtors with an ageing analysis, based on the invoice date and net of loss allowance, as follows:

	2019 **HK$'000**	2018 HK$'000
Outstanding balances with ages:		
Repayable on demand	–	7,928
Within 30 days	–	683
	–	8,611

As at 31 March 2019, the balances of debtors, prepayments and deposits were non-interest bearing. Certain receivables from securities broking operation as at 31 March 2018 were interest-bearing. The Group does not hold any collateral or other credit enhancements over these balances.

Loss allowance for impairment of trade debtors

The movements in the loss allowance for impairment of trade debtors are as follows:

	2019 **HK$'000**	2018 HK$'000
Balance at beginning of year	**3,215**	3,062
Impairment losses recognised	**238**	153
Disposal of subsidiaries	**(3,453)**	–
Balance at end of year	–	3,215

Notes to the Financial Statements *(continued)*

24. DEBTORS, PREPAYMENTS AND DEPOSITS *(continued)*

Loss allowance for impairment of trade debtors *(continued)*

Impairment under HKFRS 9 for the year ended 31 March 2019

The Group applies the simplified approach to measure the loss allowance at lifetime ECLs for trade debtors. The Group determines the ECLs by using a provision matrix. The provision rates are based on the past due status of the debtors and adjusted for factors specific to the debtors, general economic conditions forecasts and forward-looking information that is available without undue cost or effort. For the year ended 31 March 2019, loss allowance of HK$238,000 was charged to the consolidated statement of profit or loss for receivables arising from contracts with customers of the LSH Group.

Impairment under HKAS 39 for the year ended 31 March 2018

Included in the above provision for impairment of trade debtors, which was measured based on incurred credit losses under HKAS 39, as at 31 March 2018 was a provision for individually impaired trade debtors of HK$3,215,000, with a gross carrying amount of HK$3,599,000. Except for the above, the balances were neither overdue nor impaired and were related to a range of customers for whom there was no recent history of default.

Loss allowance for impairment of financial assets included in other debtors, prepayments and deposits

The movements in the loss allowance for impairment of financial assets included in other debtors, prepayments and deposits are as follows:

	2019 HK$'000	2018 HK$'000
Balance at beginning of year	**16,977**	16,977
Impairment losses recognised	**3,332**	–
Write-off	**(16,818)**	–
Balance at end of year	**3,491**	16,977

Impairment under HKFRS 9 for the year ended 31 March 2019

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate, general economic conditions forecasts and forward-looking information that is available without undue cost or effort. Loss allowance as at 1 April 2018 represented lifetime ECLs made for credit-impaired balances. Loss allowance was provided for the year ended 31 March 2019 for credit-impaired receivables with gross carrying amount of HK$3,332,000.

Impairment under HKAS 39 for the year ended 31 March 2018

Included in the above provision for impairment, which was measured based on incurred credit losses under HKAS 39, as at 31 March 2018 was a provision for individually impaired receivables of HK$16,977,000. The Group did not hold sufficient collateral or other credit enhancements over these balances.

Notes to the Financial Statements *(continued)*

25. RESTRICTED CASH

The balance as at 31 March 2018 mainly represented bank deposits pledged to secure bank overdraft facilities made available to the Group's securities broking operation. The securities broking operation was disposed of during the year.

26. BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Current portion:		
Unsecured bank loan	**246,667**	–
Non-current portion:		
Unsecured bank loan	**490,000**	481,667
	736,667	481,667
Bank loan repayable:		
Within one year	**246,667**	–
In the third to fifth years, inclusive	**490,000**	481,667
	736,667	481,667

The Group's bank loans were denominated in Hong Kong dollars and bore interest at floating rate. The Company has provided corporate guarantee for the bank loans granted to a subsidiary of the Company.

27. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Balance of trade creditors as at 31 March 2018 was attributable to the LSH Group, which was disposed of during the year. An ageing analysis of trade creditors, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Outstanding balances with ages:		
Repayable on demand	**–**	267,135
Within 30 days	**–**	39,231
	–	306,366

As at 31 March 2019, the balances of creditors were non-interest bearing and generally settled on their normal trade terms.

As at 31 March 2018, included in the trade creditors was an amount of HK$5,272,000 due to a joint venture of the Group. Except for certain client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation which were interest-bearing, the balances of creditors were non-interest bearing and repayable within normal trade credit terms.

Notes to the Financial Statements *(continued)*

28. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Others HK$'000	Total HK$'000
2019				
At 1 April 2018	**2,335**	**11,754**	**1,145**	**15,234**
Deferred tax charged/(credited) to the statement of profit or loss during the year *(Note 11)*	**–**	**1,454**	**(634)**	**820**
Exchange adjustments	**(8)**	**(592)**	**(75)**	**(675)**
At 31 March 2019	**2,327**	**12,616**	**436**	**15,379**
2018				
At 1 April 2017	2,409	11,353	6,643	20,405
Deferred tax charged/(credited) to the statement of profit or loss during the year *(Note 11)*	2	(456)	(5,870)	(6,324)
Exchange adjustments	(76)	857	372	1,153
At 31 March 2018	2,335	11,754	1,145	15,234

The Group has tax losses of HK$54,818,000 (2018 — HK$371,293,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the People's Republic of China Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in mainland China in respect of earnings generated from 1 January 2008.

As at 31 March 2019, except for withholding tax provided for under deferred tax liabilities, there were no significant unrecognised deferred tax liabilities (2018 — Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payments of dividends of the Company to its shareholders.

Notes to the Financial Statements *(continued)*

29. SHARE CAPITAL

	2019 HK$'000	2018 HK$'000
Authorised:		
4,000,000,000 (2018 — 4,000,000,000) ordinary shares of HK$1.00 each	**4,000,000**	4,000,000
Issued and fully paid:		
1,998,280,097 (2018 — 1,998,280,097) ordinary shares of HK$1.00 each	**1,998,280**	1,998,280

There were no movements in share capital during the years ended 31 March 2019 and 2018.

30. RESERVES

The amounts of the Group's reserves and movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 68 and 69.

Note:

(a) Cancellation of the share premium account and transfer to distributable reserves:
Pursuant to a special resolution passed at a special general meeting of the Company on 2 December 1997, the entire amount standing to the credit of the share premium account of HK$3,630,765,000 was cancelled (the "Cancellation"). The credit arising from the Cancellation was transferred to distributable reserves. The balance of the reserves arising from the Cancellation could be applied towards any capitalisation issues of the Company in future, or for making distributions to shareholders of the Company.

(b) Distributable reserves of the Group as at 31 March 2019 comprised retained profits of HK$7,245,686,000 (2018 — HK$7,237,642,000) and the remaining balance arising from the Cancellation of HK$744,975,000 (2018 — HK$744,975,000). The distributable reserves and the capital redemption reserve are available for distribution to shareholders. Included in the distributable reserves of the Group as at 31 March 2019 was an amount of final dividend for the year then ended of HK$19,983,000 (2018 — HK$19,983,000) proposed after the end of the reporting period.

(c) The hedging reserve relates to the Group's share of the hedging reserve under joint ventures.

Notes to the Financial Statements *(continued)*

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Beijing Lippo Century Realty Co., Ltd. is considered a subsidiary that has material non-controlling interests. The percentage of equity interest held by its non-controlling shareholder as at 31 March 2019 was 20% (2018 — 20%). Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2019 **HK$'000**	2018 HK$'000
Loss for the year allocated to non-controlling interests	**(812)**	(790)
Return of capital to non-controlling interests	**7,607**	–
Dividend paid to non-controlling interests	**–**	14,977
Accumulated balances of non-controlling interests at the end of the reporting period	**20,869**	31,563

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2019 **HK$'000**	2018 HK$'000
Current assets	**140,903**	202,739
Non-current assets	**89**	119
Current liabilities	**(36,083)**	(44,442)
Revenue	**1,666**	10,341
Total expenses	**(5,724)**	(14,291)
Loss for the year	**(4,058)**	(3,950)
Total comprehensive income/(loss) for the year	**(13,688)**	16,111
Net cash flows from/(used in) operating activities	**(16,346)**	1,530
Net cash flows from investing activities	**18**	–
Net cash flows used in financing activities	**(39,018)**	(68,892)
Net decrease in cash and cash equivalents	**(55,346)**	(67,362)

Notes to the Financial Statements *(continued)*

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit/(loss) before tax to cash used in operations

	Note	2019 HK$'000	2018 HK$'000
Profit/(Loss) before tax:			
From continuing operations		**(133,332)**	341,138
From discontinued operation		**145,677**	(11,134)
Adjustments for:			
Share of results of associates		**(5,750)**	(5,790)
Share of results of joint ventures		**101,294**	(177,251)
Loss/(Gain) on disposal of:			
Fixed assets		**(4)**	12
Subsidiaries	12	**(153,255)**	–
Gain on disposal of interests in a joint venture		**–**	(113,905)
Provisions/(Write-back of provisions) for impairment losses on:			
Fixed assets	6	**1,782**	–
A joint venture	6	**–**	(465)
Properties under development	6	**138**	143
Properties held for sale	6	**(196)**	(195)
Loans and receivables		**3,570**	925
Net fair value gain on financial instruments at fair value through profit or loss		**(1,016)**	(27,135)
Fair value gain on investment properties		**(6,032)**	(3,035)
Realised translation losses/(gains) reclassified to the statement of profit or loss relating to liquidation of foreign operations	6	**(2,641)**	1,140
Finance costs		**17,338**	13,557
Interest income	5	**(56,627)**	(53,867)
Dividend income	5	**(574)**	(15)
Depreciation	15	**6,539**	6,127
		(83,089)	(29,750)
Decrease in properties held for sale		**1,265**	6,325
Increase in properties under development		**(213)**	(200)
Decrease/(Increase) in loans and advances		**4,616**	(2,102)
Decrease in debtors, prepayments and deposits		**10,400**	18,056
Decrease/(Increase) in financial instruments at fair value through profit or loss		**(8,116)**	1,369
Decrease in client trust bank balances		**83,663**	553,472
Decrease in creditors, accruals and deposits received		**(73,706)**	(559,412)
Cash used in operations		**(65,180)**	(12,242)

(b) Major non-cash transactions

During the year ended 31 March 2018, the deposits received in the prior financial year for the disposal of interests in MCB of HK$270,630,000 were derecognised upon completion.

Notes to the Financial Statements *(continued)*

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Changes in liabilities arising from financing activities

	Bank and other borrowings HK$'000	Interest payable HK$'000	Total HK$'000
At 1 April 2018	**481,667**	**78**	**481,745**
Changes from financing cash flows:			
Finances costs paid	**–**	**(12,171)**	**(12,171)**
Drawdown of bank and other borrowings	**250,000**	**–**	**250,000**
Total changes from financing cash flows	**250,000**	**(12,171)**	**237,829**
Finance costs charged to the statement of profit or loss	**5,000**	**12,338**	**17,338**
At 31 March 2019	**736,667**	**245**	**736,912**
At 1 April 2017	476,667	62	476,729
Changes from financing cash flows:			
Finances costs paid	–	(8,541)	(8,541)
Drawdown of bank and other borrowings	500,000	–	500,000
Repayment of bank and other borrowings	(500,000)	–	(500,000)
Total changes from financing cash flows	–	(8,541)	(8,541)
Finance costs charged to the statement of profit or loss	5,000	8,557	13,557
At 31 March 2018	481,667	78	481,745

33. CONTINGENT LIABILITIES

As at 31 March 2019, the Group had no material contingent liabilities (2018 — Nil).

Notes to the Financial Statements *(continued)*

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market condition.

As at 31 March 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**5,785**	4,136
In the second to fifth years, inclusive	**3,894**	2,383
	9,679	6,519

(b) As lessee

The Group leases certain properties under operating lease agreements which are non-cancellable. The leases are negotiated for terms ranging from one to two years. The leases for properties contain the provision for rental adjustments.

As at 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**1,680**	3,485
In the second to fifth years, inclusive	**–**	470
	1,680	3,955

35. COMMITMENTS

The Group had the following commitments at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Commitments in respect of property acquisition:		
Contracted, but not provided for	**–**	6,834
Other commitments:		
Contracted, but not provided for	**581**	581
	581	7,415

Notes to the Financial Statements *(continued)*

36. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

(a) During the year, the Company paid rental expenses (including service charges) of HK$1,552,000 (2018 — HK$2,246,000) to a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 31 July 2019. The Company expects the total future minimum lease payables for the year ending 31 March 2020 to be approximately HK$470,000.

(b) During the year, the Group paid rental expenses (including service charges) of HK$668,000 (2018 — HK$3,564,000) to a joint venture of the Group. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 31 December 2019. The Group expects the total future minimum lease payables for the year ending 31 March 2020 to be approximately HK$86,000.

(c) During the year, the Group received interest income of HK$52,283,000 (2018 — HK$51,985,000) from joint ventures of the Group.

(d) As at 31 March 2019, the Group had balances with its associates and joint ventures, further details of which are set out in Notes 17 and 18 to the financial statements.

(e) The key management personnel of the Group are its Directors. Details of the Directors' emoluments are disclosed in Note 7 to the financial statements.

The transaction referred to in item (a) above was a continuing connected transaction exempted from reporting, annual review and independent shareholders' approval under Chapter 14A of the Listing Rules.

Notes to the Financial Statements *(continued)*

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Held for trading HK$'000	Other mandatorily classified at fair value through profit or loss HK$'000	Equity securities HK$'000	Financial assets at amortised cost HK$'000	Derivative financial instrument HK$'000	Total HK$'000
At 31 March 2019						
Financial assets at fair value through other comprehensive income	–	–	18	–	–	18
Financial assets at fair value through profit or loss	16,322	3,076	–	–	–	19,398
Other financial asset	–	–	–	–	49,087	49,087
Loans and advances	–	–	–	8,356	–	8,356
Financial assets included in debtors, prepayments and deposits	–	–	–	3,243	–	3,243
Cash and cash equivalents	–	–	–	506,525	–	506,525
	16,322	3,076	18	518,124	49,087	586,627

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Derivative financial instrument HK$'000	Total HK$'000
At 31 March 2018					
Available-for-sale financial assets	–	–	3,175	–	3,175
Financial assets at fair value through profit or loss	7,518	–	–	–	7,518
Loans and advances	–	20,833	–	–	20,833
Financial assets included in debtors, prepayments and deposits	–	34,900	–	–	34,900
Other financial asset	–	–	–	48,826	48,826
Client trust bank balances	–	300,909	–	–	300,909
Restricted cash	–	1,073	–	–	1,073
Time deposits with original maturity of more than three months	–	4,785	–	–	4,785
Cash and cash equivalents	–	539,031	–	–	539,031
	7,518	901,531	3,175	48,826	961,050

Notes to the Financial Statements *(continued)*

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	2019	2018
	HK$'000	HK$'000
Bank and other borrowings	**736,667**	481,667
Financial liabilities included in creditors, accruals and deposits received	**29,204**	331,132
	765,871	812,799

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments carried at fair value, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets at fair value through other comprehensive income	**18**	–	**18**	–
Financial assets at fair value through profit or loss	**19,398**	7,518	**19,398**	7,518
Available-for-sale financial assets	**–**	3,175	**–**	3,175
Other financial asset:				
Put Option	**49,087**	48,826	**49,087**	48,826
	68,503	59,519	**68,503**	59,519

Management has assessed that the fair values of cash and cash equivalents, financial assets included in debtors, prepayments and deposits, loans and advances, financial liabilities included in creditors, accruals and deposits received approximate to their carrying amounts largely due to the short term maturity of these instruments. In addition, the fair values of interest-bearing bank loans approximate to their carrying amounts as they are floating rate instruments that are repriced to market interest rates at or near the end of the reporting period and the Group's non-performance risk is considered to be minimal.

Notes to the Financial Statements *(continued)*

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The Group's management is responsible for determining the policies and procedures for the fair value measurement of significant financial instruments. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity securities are based on quoted market prices.

The fair values of unlisted debt securities are determined by reference to the quoted market prices from the broker using valuation technique with market observable inputs.

The fair values of unlisted investment funds are assessed to approximate the net asset values indicated on the net asset value statements issued by the investment fund managers, which take into consideration the fair values of the underlying assets held under the investments. For unlisted investment funds classified under Level 3 of the fair value measurement hierarchy, when the net asset value increases/decreases 3% (2018 — 3%), the fair value will be increased/decreased by HK$118,000 (2018 — HK$220,000).

The fair value of the Put Option is determined by Monte-Carlo simulation, which is the capitalisation of discounted cash flows generated by possible share price paths simulated by the model.

Below is a summary of significant unobservable inputs to the valuation of the Put Option used in Level 3 fair value measurements as at 31 March 2019:

	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of fair value to the input
Other financial asset:				
Put Option	Monte-Carlo simulation method	Volatility of underlying shares	20.4% (2018 — 22.6%)	When the volatility of the underlying shares increases/decreases 5% (2018 — 5%), the fair value will be increased/decreased by HK$212,000 and HK$91,000 (2018 — HK$123,000 and HK$269,000), respectively.

Notes to the Financial Statements *(continued)*

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
At 31 March 2019				
Financial assets at fair value through other comprehensive income:				
Equity securities	**18**	**–**	**–**	**18**
Held for trading financial assets at fair value through profit or loss:				
Equity securities	**12,428**	**–**	**–**	**12,428**
Investment funds	**–**	**98**	**3,796**	**3,894**
Other financial assets mandatorily classified at fair value through profit or loss:				
Debt securities	**–**	**2,940**	**–**	**2,940**
Investment funds	**–**	**–**	**136**	**136**
Other financial asset:				
Derivative financial instrument	**–**	**–**	**49,087**	**49,087**
	12,446	**3,038**	**53,019**	**68,503**
At 31 March 2018				
Available-for-sale financial assets:				
Equity securities	24	–	–	24
Debt securities	–	2,880	–	2,880
Investment funds	–	–	271	271
Financial assets at fair value through profit or loss:				
Equity securities	286	–	–	286
Investment funds	–	158	7,074	7,232
Other financial asset:				
Derivative financial instrument	–	–	48,826	48,826
	310	3,038	56,171	59,519

Notes to the Financial Statements *(continued)*

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

The movements in fair value measurements in Level 3 during the year are as follows:

	Held for trading investment funds at fair value through profit or loss HK$'000	Investment funds mandatorily classified at fair value through profit or loss HK$'000	Available-for-sale investment funds HK$'000	Other financial asset HK$'000
At 31 March 2018, as previously reported	**7,074**	**–**	**271**	**48,826**
Impact on initial application of HKFRS 9	**–**	**271**	**(271)**	**–**
At 1 April 2018, as adjusted	**7,074**	**271**	**–**	**48,826**
Total gains/(losses) recognised in the statement of profit or loss	**(558)**	**7**	**–**	**261**
Disposals	**(806)**	**–**	**–**	**–**
Return of capital	**(1,914)**	**(142)**	**–**	**–**
At 31 March 2019	**3,796**	**136**	**–**	**49,087**
At 1 April 2017	8,296	–	1,793	21,437
Total gains/(losses) recognised in the statement of profit or loss	(212)	–	–	27,389
Total losses recognised in other comprehensive income	–	–	(38)	–
Disposals	(1,010)	–	–	–
Return of capital	–	–	(1,496)	–
Exchange adjustments	–	–	12	–
At 31 March 2018	7,074	–	271	48,826

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018 — Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Financial Statements *(continued)*

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has established policies and procedures for risk management which are reviewed regularly by the Executive Directors and senior management of the Group to ensure the proper monitoring and control of all major risks arising from the Group's activities at all times.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The risk management function is carried out by individual business units and regularly overseen by the Group's senior management with all the risk limits approved by the Executive Directors of the Group, which are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 2.4 to the financial statements.

(a) Credit risk

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises from lending, treasury, investment and other activities undertaken by the Group.

The Group trades only with recognised and creditworthy parties. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposures. Credit policies with guidelines on credit terms and limits set the basis for risk control for trade receivables. New customers are subject to credit evaluation while the Group continues to monitor existing customers, especially those with repayment issues. Credit approval for loans and advances takes into account the type and tenor of loans, creditworthiness and repayment ability of prospective borrowers, collateral available and the resultant risk concentration in the context of the Group's total assets. Appropriate allowances are made for probable losses when necessary for identified debtors.

Maximum exposure and year-end staging as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs		
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Loans and advances*	8,356	–	771	9,127
Financial assets included in debtors, prepayments and deposits*	3,243	–	3,491	6,734
Cash and cash equivalents**	506,525	–	–	506,525
	518,124	–	4,262	522,386

* Further details in respect of the Group's loss allowance for impairment of loans and advances and financial assets included in debtors, prepayments and deposits are disclosed in Notes 23 and 24 to the financial statements, respectively.

** The bank balances are deposited with creditworthy financial institutions with no recent history of default. The Group considers these balances have low credit risk and the amount of the loss allowance for impairment was negligible.

Notes to the Financial Statements *(continued)*

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Credit risk *(continued)*

Maximum exposure as at 31 March 2018

Credit risk from the financial assets of the Group was mainly composed of cash and cash equivalents, time deposits with original maturity of more than three months, restricted cash, financial assets included in debtors, prepayments and deposits, loans and advances and client trust bank balances. The carrying values of the Group's financial assets represented the maximum exposure to credit risk.

Concentration of credit risk

The Group's exposure to credit risk arising from trade debtors and loans and advances at the end of the reporting period based on the information provided to key management is as follows:

	2019 HK$'000	2018 HK$'000
By geographical area:		
Hong Kong	–	16,559
Others	**8,356**	12,885
	8,356	29,444

(b) Liquidity risk

The Group manages the liquidity structure of its assets, liabilities and commitments in view of market conditions and its business needs, as well as to ensure that its operations meet the statutory requirement for the minimum liquidity ratio whenever applicable.

Management comprising Executive Directors and senior managers monitors the liquidity position of the Group on an on-going basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Group's financial resources. As at 31 March 2019, approximately 33% (2018 — Nil) of the Group's debts would mature in less than one year based on the carrying values of bank and other borrowings.

The maturity profile of liabilities of the Group as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Repayable on demand HK$'000	**3 months or less HK$'000**	**1 year or less but over 3 months HK$'000**	**5 years or less but over 1 year HK$'000**	**Total HK$'000**
At 31 March 2019					
Bank and other borrowings	**–**	**255,171**	**14,969**	**533,585**	**803,725**
Creditors, accruals and deposits received	**–**	**21,055**	**8,149**	**–**	**29,204**
	–	**276,226**	**23,118**	**533,585**	**832,929**
At 31 March 2018					
Bank and other borrowings	–	2,360	7,105	525,488	534,953
Creditors, accruals and deposits received	275,371	43,819	11,942	–	331,132
	275,371	46,179	19,047	525,488	866,085

Notes to the Financial Statements *(continued)*

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Interest rate risk

Interest rate risk primarily results from timing differences in the repricing of interest-bearing assets and liabilities. The Group's interest rate positions mainly arise from treasury and other investment activities undertaken.

The Group monitors its interest-sensitive products and investments and net repricing gap and limits interest rate exposure through management of maturity profile, currency mix and choice of fixed or floating interest rates. When appropriate, interest rate swaps would be used to manage this risk in a cost-effective manner. The interest rate risk is managed and monitored regularly by senior management of the Group.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and equity (through the impact on interest-bearing monetary assets and liabilities).

	2019			2018		
	Increase/ (Decrease) in basis points	**Increase/ (Decrease) in profit before tax HK$'000**	**Increase/ (Decrease) in equity HK$'000**	Increase/ (Decrease) in basis points	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000
Hong Kong dollar	**+50**	**(3,209)**	**(3,209)**	+50	(1,988)	(1,988)
United States dollar	**+50**	**354**	**354**	+50	295	295
Singapore dollar	**+50**	**19**	**19**	+50	285	285
Renminbi	**+50**	**329**	**329**	+50	508	508
Hong Kong dollar	**–50**	**3,209**	**3,209**	–50	1,988	1,988
United States dollar	**–50**	**(354)**	**(354)**	–50	(295)	(295)
Singapore dollar	**–50**	**(19)**	**(19)**	–50	(285)	(285)
Renminbi	**–50**	**(329)**	**(329)**	–50	(508)	(508)

Notes to the Financial Statements *(continued)*

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(d) Foreign currency risk

Foreign currency risk is the risk to earnings or capital arising from movements in foreign exchange rates. The Group's foreign currency risk primarily arises from currency exposures originating from its foreign exchange dealings and other investment activities.

The Group monitors the relative foreign exchange positions of its assets and liabilities to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans would be used to manage the foreign exchange exposure. The foreign currency risk is managed and monitored on an on-going basis by senior management of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollars, Singapore dollars and Renminbi exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/(Decrease) in profit before tax	
	2019	2018
	HK$'000	HK$'000
United States dollar against Hong Kong dollar		
– strengthened 3% (2018 — 3%)	**2,149**	2,649
– weakened 3% (2018 — 3%)	**(2,149)**	(2,649)
Singapore dollar against Hong Kong dollar		
– strengthened 3% (2018 — 3%)	**124**	4,491
– weakened 3% (2018 — 3%)	**(124)**	(4,491)
Renminbi against Hong Kong dollar		
– strengthened 3% (2018 — 3%)	**240**	1,901
– weakened 3% (2018 — 3%)	**(240)**	(1,901)

At the end of the reporting period, the cash and cash equivalents of the Group's subsidiaries in mainland China denominated in Renminbi amounted to HK$64,609,000 (2018 — HK$119,196,000). The conversion of these Renminbi balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government in mainland China.

Notes to the Financial Statements *(continued)*

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk mainly arising from individual financial assets included in financial assets at fair value through other comprehensive income/available-for-sale financial assets (Note 19) and financial assets at fair value through profit or loss (Note 20) as at 31 March 2019. The Group's listed financial assets are mainly listed on the Hong Kong and Republic of Singapore stock exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 March 2019	High/Low 2019	31 March 2018	High/Low 2018
Hong Kong — Hang Seng Index	**29,051**	**31,593/24,540**	30,093	33,484/23,724
Republic of Singapore — Straits Times Index	**3,213**	**3,642/2,955**	3,428	3,612/3,114

The senior management of the Group regularly reviews and monitors the mix of securities in the Group's investment portfolio based on the fair value to ensure the loss arising from the changes in the market values of the investment portfolios is capped within an acceptable range.

The following table demonstrates the sensitivity to every 3% change in the fair values of the equity investments and investment funds, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the investments at fair value through other comprehensive income/the available-for-sale investments, the impact is deemed to be on the fair value reserve of financial assets at FVOCI/ investment revaluation reserve, respectively.

	2019		2018	
	Increase/ (Decrease) in profit before tax HK$'000	**Increase/ (Decrease) in equity* HK$'000**	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity* HK$'000
Financial assets at fair value through other comprehensive income				
Global and others	**–**	**1**	–	–
Financial assets at fair value through profit or loss				
Hong Kong	**5**	**–**	9	–
Republic of Singapore	**368**	**–**	–	–
Global and others	**121**	**–**	217	–
	494	**–**	226	–
Available-for-sale financial assets				
Global and others	**–**	**–**	–	9

* Excluding retained profits

Notes to the Financial Statements *(continued)*

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 2018.

The Group monitors capital using a gearing ratio, which is calculated by dividing its total borrowings by equity attributable to equity holders of the Company. Total borrowings include current and non-current bank and other borrowings.

	2019 **HK$'000**	2018 HK$'000
Bank and other borrowings *(Note 26)*	**736,667**	481,667
Equity attributable to equity holders of the Company	**10,923,349**	11,198,952
Gearing ratio	**6.7%**	4.3%

40. EVENTS AFTER THE REPORTING PERIOD

In April 2019, the OUE Group completed the disposals of all its interests in Aquamarina Hotel Private Limited and Marina Centre Holdings Private Limited for an aggregate consideration of S$390,000,000 (approximately HK$2,262,000,000). Based on the information currently available to the Company, it is estimated that the Group would record a share of profit from joint ventures in the consolidated statement of profit or loss of approximately HK$470,000,000 (subject to audit and adjustment) arising from the disposals for the year ending 31 March 2020.

41. COMPARATIVE AMOUNTS

(a) The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (Note 12).

(b) The Group had initially applied HKFRS 9 and HKFRS 15 on 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.2 to the financial statements.

(c) Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

Notes to the Financial Statements *(continued)*

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Non-current assets		
Fixed assets	**669**	1,182
Interests in subsidiaries	**3,003,125**	2,941,569
Financial assets at fair value through profit or loss	**2,940**	–
Available-for-sale financial assets	**–**	2,880
	3,006,734	2,945,631
Current assets		
Debtors, prepayments and deposits	**1,292**	811
Financial assets at fair value through profit or loss	**12,250**	–
Tax recoverable	**114**	–
Cash and cash equivalents	**157,988**	254,129
	171,644	254,940
Current liabilities		
Creditors, accruals and deposits received	**9,938**	10,354
Amount due to a joint venture	**5,295**	–
	15,233	10,354
Net current assets	**156,411**	244,586
Net assets	**3,163,145**	3,190,217
Equity		
Share capital	**1,998,280**	1,998,280
Reserves *(Note)*	**1,164,865**	1,191,937
	3,163,145	3,190,217

Notes to the Financial Statements *(continued)*

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Capital redemption reserve *(Note 30(b))* HK$'000	Investment revaluation reserve HK$'000	Distributable reserves HK$'000	Total HK$'000
2019					
At 31 March 2018, as previously reported	**92,275**	**22,144**	**1,005**	**1,076,513**	**1,191,937**
Impact on initial application of HKFRS 9	**–**	**–**	**(1,005)**	**1,005**	**–**
At 1 April 2018, as adjusted	**92,275**	**22,144**	**–**	**1,077,518**	**1,191,937**
Profit for the year	**–**	**–**	**–**	**12,894**	**12,894**
2017/2018 final dividend declared and paid to shareholders of the Company	**–**	**–**	**–**	**(19,983)**	**(19,983)**
2018/2019 interim dividend declared and paid to shareholders of the Company	**–**	**–**	**–**	**(19,983)**	**(19,983)**
At 31 March 2019	**92,275**	**22,144**	**–**	**1,050,446**	**1,164,865**
2018					
At 1 April 2017	92,275	22,144	425	1,103,577	1,218,421
Profit for the year	–	–	–	12,902	12,902
Other comprehensive income for the year:					
Fair value gain on available-for-sale financial assets	–	–	580	–	580
Total comprehensive income for the year	–	–	580	12,902	13,482
2016/2017 final dividend declared and paid to shareholders of the Company	–	–	–	(19,983)	(19,983)
2017/2018 interim dividend declared and paid to shareholders of the Company	–	–	–	(19,983)	(19,983)
At 31 March 2018	92,275	22,144	1,005	1,076,513	1,191,937

Distributable reserves of the Company as at 31 March 2019 comprised contributed surplus of HK$134,329,000 (2018 — HK$134,329,000), retained earnings of HK$171,142,000 (2018 — HK$197,209,000) and the remaining balance arising from the Cancellation of HK$744,975,000 (2018 — HK$744,975,000). The distributable reserves and the capital redemption reserve are available for distributions to the shareholders of the Company.

Included in the distributable reserves of the Company as at 31 March 2019 was an amount of final dividend for the year then ended of HK$19,983,000 (2018 — HK$19,983,000) proposed after the end of the reporting period.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2019.

Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 March 2019 are set out below:

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Allyield Limited	British Virgin Islands	US$1	–	100	Investment holding
Beaming Empire Limited	British Virgin Islands	US$1	–	100	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US$50,000	–	100	Property investment
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)**	People's Republic of China	US$3,000,000*	–	100	Property investment and management
Compass Link Limited	British Virgin Islands	US$1	–	100	Investment holding
Conrich Inc.	British Virgin Islands	US$1	–	100	Investment holding
Cyberspot Limited	British Virgin Islands	US$1	–	100	Investment holding
Everwin Pacific Ltd.	British Virgin Islands	US$1	–	100	Property investment
Fairseas 1 Pte. Ltd.**	Republic of Singapore	S$1	–	100	Owner of a motor yacht
Fiatsco Limited	British Virgin Islands	US$1	–	100	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	–	100	Property development
Golden Stellar Limited	British Virgin Islands	US$1	100	100	Investment holding
Green Assets Investments Limited	British Virgin Islands	US$1	–	100	Investment holding
HCL Management Limited	Hong Kong	HK$1	–	100	Management services

Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
HKC Property Investment Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investment holding
HKC Realty LLC	United States of America	US$2,250,000*	–	100	Property investment
Hong Kong Housing Loan Limited	Hong Kong	HK$40,000,000	–	100	Money lending
Lippo Asia Limited	Hong Kong	HK$120,000,000	–	100	Investment holding
Lippo Cybergroup Limited	Hong Kong	HK$2	–	100	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	–	100	Investment holding
Mass Empire Limited	Hong Kong	HK$1	–	100	Investment
MGS Ltd.	British Virgin Islands	US$1	–	100	Investment holding
Norfyork International Limited	Hong Kong	HK$25,000,000	–	100	Investment holding
One Realty Pte. Limited**	Republic of Singapore	S$2	–	100	Investment holding and provision of project and management services
Pacific Bond Limited	British Virgin Islands	US$1	–	100	Investment holding
Pacific Landmark Holdings Limited	British Virgin Islands	US$1	–	100	Investment holding
Peakmillion Asia Limited	British Virgin Islands	US$1	–	100	Investment
Polar Step Limited	British Virgin Islands	US$1	–	100	Investment
Sinogain Asia Limited	British Virgin Islands	US$1	–	100	Property investment
Sinorite Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investment

Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Percentage of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Stargala Limited	British Virgin Islands	US$1	–	100	Property investment
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US$1	–	100	Investment
Uchida Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Wealtop Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Winluck Asia Limited	British Virgin Islands	US$1	–	100	Property investment
Winluck Pacific Limited	British Virgin Islands	US$1	–	100	Property investment
Winrider Limited	British Virgin Islands	US$1	–	100	Investment holding
Yield Point Limited	British Virgin Islands	US$1	–	100	Investment holding
北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)**	People's Republic of China	US$14,000,000*	–	80@	Property development

based on the number of issued shares carrying voting rights and represents the effective holding of the Group after non-controlling interests therein
@ *profit sharing ratio*
* *paid up registered capital*
** *audited by certified public accountants other than Ernst & Young, Hong Kong*

Note:

MOP — Macau patacas
Pesos — Philippines pesos
S$ — Singapore dollars
US$ — United States dollars

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of Principal Associates

Particulars of the principal associates as at 31 March 2019 are set out below:

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Approximate percentage of equity attributable to the Group (unless otherwise stated)#	Principal activities
Greenix Limited	Corporate	British Virgin Islands	US$100,000	50	Investment holding
Lippo Marina Collection Pte. Ltd.	Corporate	Republic of Singapore	S$1,000,000	50	Property development
Goldfix Pacific Ltd.	Corporate	British Virgin Islands	US$16,286.6	36.84	Investment holding
Rebound Power Limited	Corporate	British Virgin Islands	US$300	*Note (b)*	Investment holding
Proton Power Asia Limited	Corporate	Hong Kong	HK$90	*Note (c)*	Investment holding
Proton Power Pte. Ltd.	Corporate	Republic of Singapore	S$1	*Note (c)*	Green energy development

\# *based on the number of issued shares carrying voting rights and represents the effective holding of the Group after non-controlling interests therein*

Note:

(a) S$ — Singapore dollars
US$ — United States dollars

(b) Its issued share capital comprised of (i) 100 voting, non-participating class "A" shares of US$1.00 each; (ii) 100 non-voting, participating class "B" shares of US$1.00 each; (iii) 50 non-voting, participating class "C" shares of US$1.00 each; and (iv) 50 non-voting, participating class "D" shares of US$1.00 each. The Group was interested in 50% of all the class "A" shares in issue, 100% of all the class "B" shares in issue and approximately 36.32% of all the class "C" shares in issue which entitled the Group to 50% of the voting rights and approximately 75.45% of the profit sharing of this company.

(c) This company is a wholly-owned subsidiary of Rebound Power Limited.

The above table includes the associates of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all associates would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of Principal Joint Ventures

Particulars of the principal joint ventures as at 31 March 2019 are set out below:

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Group (unless otherwise stated)#	Principal activities
Bell Eastern Limited	Corporate	British Virgin Islands	S$2,000,000	50	Property investment
Sunning Asia Limited	Corporate	British Virgin Islands	US$50,000	50	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S$2	50	Property development
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US$2	50	Investment holding
The Macau Chinese Bank Limited	Corporate	Macau	MOP390,000,000	20	Banking
Lippo ASM Asia Property Limited	Corporate	Cayman Islands	US$1,200	*Note (b)*	Investment holding

\# *based on the number of issued shares carrying voting rights and represents the effective holding of the Group after non-controlling interests therein*

Note:

(a) *MOP — Macau patacas*
S$ — Singapore dollars
US$ — United States dollars

(b) *Its issued share capital comprised of (i) 800 voting, non-participating class "A" shares of US$1.00 each; (ii) 200 non-voting, participating class "B" shares of US$1.00 each; and (iii) 200 non-voting, participating class "C" shares of US$1.00 each. The Group was interested in 50% of all the class "A" shares in issue and 100% of all the class "B" shares in issue which entitled the Group to 50% of the voting rights and approximately 94.26% of the profit sharing of this company.*

Schedule of Major Properties

(1) PROPERTIES HELD FOR INVESTMENT AS AT 31 MARCH 2019

Description	Use	Approximate gross floor area	Status	Percentage of the Group's interest
		(square metres)		
People's Republic of China				
5 floors of Unit 1 Building 1, Lippo Tower No. 62 North Kehua Road Wuhou District Chengdu	Commercial	5,421	Rental	100
The above property is held under medium term lease.				
Overseas				
31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines	Commercial	885	Rental	100
522 S. Sepulveda Boulevard Los Angeles, CA 90049 United States of America	Commercial	925	Rental	100
The above properties are freehold.				
21 Marina Way #26-16 Marina One Residences Singapore 018978	Residential	104	Rental	100
The above property is held under long term lease.				

Schedule of Major Properties *(continued)*

(2) PROPERTY HELD FOR DEVELOPMENT AS AT 31 MARCH 2019

Description	Use	Approximate site area	Approximate gross floor area	Percentage of the Group's interest	Estimated completion date	Stage of development at 31 March 2019
		(square metres)	*(square metres)*			
Overseas						
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	100	N/A	Vacant land

(3) PROPERTIES HELD FOR SALE AS AT 31 MARCH 2019

Description	Use	Approximate gross floor area	Percentage of the Group's interest
		(square metres)	
People's Republic of China			
Certain units and car parking spaces at No. 8 Ronghua Middle Road Yizhuang Beijing Economic-Technological Development Area (北京經濟技術開發區) Beijing	Commercial/ Residential	16,406	80
Overseas			
854 West Adams Boulevard Los Angeles, CA 90007 United States of America	Residential	723	100

Summary of Financial Information

	Year ended 31 March 2019 HK$'000	Year ended 31 March 2018 HK$'000	Year ended 31 March 2017 HK$'000	Year ended 31 March 2016 HK$'000 (Restated)	Year ended 31 March 2015 HK$'000 (Restated)
Profit attributable to equity holders of the Company	**10,818**	326,840	44,996	229,455	655,067
Total assets	**11,786,366**	12,258,404	11,915,519	11,443,035	12,723,654
Total liabilities	**(842,148)**	(1,027,392)	(1,860,101)	(836,343)	(2,191,786)
Net assets	**10,944,218**	11,231,012	10,055,418	10,606,692	10,531,868
Non-controlling interests	**(20,869)**	(32,060)	(43,226)	(79,581)	(107,099)
Equity attributable to equity holders of the Company	**10,923,349**	11,198,952	10,012,192	10,527,111	10,424,769

The Group had made certain retrospective adjustments to the financial information for the years ended 31 March 2016 and 2015 following the completion of the purchase price allocation review in respect of the acquisition of equity interest under the Group's joint venture. Details regarding the adjustments made were provided in Note 42 to the financial statements for the year ended 31 March 2017.

Supplementary Financial Information

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

Set out below is a pro forma combined statement of financial position of the Group's affiliates as at 31 March 2019 (being the latest practicable date for determining the relevant figures) required to be disclosed under the Listing Rules:

	HK$'000
Pro forma combined statement of financial position	
Intangible assets	**1,179,031**
Fixed assets	**4,330,224**
Investment properties	**40,372,844**
Interests in equity-accounted investees	**1,151,510**
Properties held for sale	**2,920,867**
Properties under development	**460,249**
Financial assets at fair value through other comprehensive income	**3,523,799**
Financial assets at fair value through profit or loss	**288,625**
Loans and advances	**4,689,958**
Debtors, prepayments and deposits	**2,572,183**
Cash and cash equivalents	**4,592,038**
Assets classified as held for sale	**1,209,146**
Other assets	**338,718**
Bank and other borrowings	**(27,765,743)**
Creditors, accruals and deposits received	**(2,755,026)**
Current, fixed, savings and other deposits of customers	**(5,588,166)**
Tax payable	**(217,255)**
Shareholders' advance	**(3,040,165)**
Deferred tax liabilities	**(1,241,533)**
Other financial liabilities	**(40,747)**
Non-controlling interests	**(17,340,450)**
	9,640,107
Group's attributable interest *(Note)*	**10,907,316**

Note: The Group's attributable interest represents that portion attributable to the Group before non-controlling interests included therein.